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United Nations Industrial Development Organization ORIGINAL: ENGLISH

Industrial Development Board

Fifteenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 6 May 1995, at 3.30 p.m.

Temporary President: Mrs. OK (Turkey)
President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
1	Opening of the fifteenth session	1 - 3
2	Election of officers	4 - 8
3	Adoption of the agenda for the fifteenth session	9
-	Statement by the Director-General	10 - 36
-	Organization of work	37 - 40
4	Policy framework of UNIDO — Organizational and staff structure	41 - 55

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The meeting was called to order at 3.40 p.m.

OPENING OF THE FIFTEENTH SESSION

1. **The TEMPORARY PRESIDENT** declared open the fifteenth session of the Industrial Development Board.

2. Observing that the withdrawal of UNIDO's major contributor and the reduction of its budget and staff by 25 per cent had not been foreseen one year previously, she said that the Director-General and the Board had worked under great pressure to ensure the Organization's survival. However, in spite of the efforts made, serious difficulties were still to be overcome. In her opinion, Member States had always been more concerned about UNIDO's budgets than its programmes and objectives, and they now needed to become more involved in the Organization's activities to enable the objectives set during the recent General Conference session to be achieved. Furthermore, other organizations that had been advised to shut down had developed new fields of activity and were now duplicating some of UNIDO's areas of operation. Such duplication was unfair to UNIDO and its staff, who remained concerned about the future and whose morale was low, and she called upon the Member States which were members of other organizations to discuss the situation and prevent such overlapping. Noting the absence of a mechanism to enable the Director-General and the Board to consult on all issues of substance, she said that such a mechanism would increase reciprocal trust and cooperation between the Director-General and the Member States and would help to strengthen the Organization. She would urge the Board to take its future decisions with due regard for the interests of the Organization's staff.

3. Finally, she thanked the Member States, the Secretariat, the members of the IDB and the Director-General for their cooperation.

ELECTION OF OFFICERS

4. **The TEMPORARY PRESIDENT** said that she had received the following nominations: Mr. Seung Kon Lee (Republic of Korea) for the post of President; Mr. Abdel Ahmed Halim Mohamed (Sudan), Mr. Carlos Bulo Camacho (Colombia) and Mr. István Posta (Hungary) for the posts of Vice-President; and Mr. Ömür Sölendil (Turkey) for the post of Rapporteur.

5. *The candidates were elected by acclamation.*

6. *The President took the Chair.*

7. **The PRESIDENT** thanked the members of the Board, and in particular the Asian Group, for endorsing his candidacy and expressed his appreciation to the outgoing President for her able guidance during the previous year.

8. UNIDO was in a very difficult situation, facing a serious challenge as a result of the diminished interest and support of the world community as well as reduced financial resources. Scepticism about the Organization's *raison d'être* was a particular cause for concern, since UNIDO had an important role to play in the industrialization of developing countries and its accumulated expertise in that area was recognized. Welcoming the Director-General's efforts to reform and streamline UNIDO following the adoption of the Yaoundé Declaration in 1993, he said that the present session would deal with important issues relating to the Organization's future and hoped that the conclusions reached would encourage the Organization's staff.

ADOPTION OF THE AGENDA FOR THE FIFTEENTH SESSION (IDB.15/1 and Add.1)

9. *The provisional agenda (IDB.15/1) was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

10. **Mr. DE MARIA Y CAMPOS** (Director-General) said that UNIDO's agenda for the first quarter of 1996 had inevitably been dominated by efforts to implement the reduced programme and budgets for the biennium 1996-1997 and the related contingency plans. He paid tribute to the staff of UNIDO, who had shown unfaltering commitment and motivation. At a time of unavoidable insecurity for many, the Secretariat had continued to serve Member States and to promote new ideas for future work. He also wished to thank Member States for their political and financial support and their valuable guidance during the current difficult period.

11. The third additional session of the Programme and Budget Committee, earlier in the day, had considered matters of crucial concern.

12. Firstly, within the basic structure approved in the programme and budgets 1996-1997, some changes had been introduced to increase management efficiency and programme coherence. The most significant change in the Organization's structure was to create the Policy Coordination Office, dealing with strategic planning, quality assurance and evaluation, programme and project approval and programme monitoring. It had thus been possible to make substantial expenditure reductions and savings compared with the corresponding allocations for the 1994-1995 biennium.

13. Secondly, he had maintained a prudent financial policy, withholding some budget items relating to meetings, travel, consultants, etc., while ensuring the implementation of high-priority activities under the Regular Programme of Technical Cooperation and the Industrial Development Decade for Africa. That had resulted in expenditure largely in line with the contingency plan levels in the first quarter of 1996. The strategy had proved realistic, since the most recent announcements concerning the payment of assessed contributions by the United States did not seem optimistic for UNIDO, despite his reiterated initiatives in that area. He had sought Member States' guidance and support at the meeting of the Programme and Budget Committee.

14. Thirdly, in the staff reduction programme, the excellent and objective work of the Advisory Group on Human Resource Planning had kept non-voluntary separations below 12 per cent of the total. He thought that such a low percentage, as well as the significant improvement in the ratio between General Service and Professional staff, was a major achievement, which went beyond his initial expectations. He paid tribute to the valuable contribution made by separating staff members, each of whom had played an important role in helping to create better living conditions in the developing countries.

15. Alongside the complete restructuring and the implementation of the budget cuts, the UNIDO reform had been continuing and was now reaching its final stage. Despite the traumatic financial crisis facing the Organization, the reform was an achievement to be proud of. UNIDO was now a more flexible, effective and efficient organization, which was in a better position to fulfil the demands of its Member States. The fact that UNIDO had managed to accommodate a 25 per cent budget reduction in such a short period, without sacrificing its substantive capability, was without precedent in the United Nations system. The Organization had reached a very low level of administrative costs as a percentage of the total budget and a high level of operational over regular budget resources, compared with other specialized agencies or international organizations.

16. He referred delegations to the progress report on reform in document IDB.15/14. What remained to be done in 1996 was to elaborate detailed procedures in a number of areas. To that end, he had decided, following the recommendations made by the external consultants, to maintain the reform infrastructure established in the second half of 1995.

17. The progress report covered a number of achievements in the first quarter of 1996. It related in particular to the management of UNIDO services, referred to as project cycle management, which was a core process for UNIDO, just as for any development agency. That area, to which he personally attached critical importance, had been completely brought into line with UNIDO's new thematic priorities.

18. In response to Member States' interest, a computerized information system would be brought into operation in 1996 to enable them to be kept abreast of progress in UNIDO's projects.

19. Document IDB.15/14 also reported on progress in a number of supporting processes, such as personnel policies and training, information systems management, cost accounting, procedures in the field offices and investment promotion offices, and external and internal communications. In that context he attached particular importance to the idea of a programmatic orientation for the budget, in order to give a transparent picture of the allocation of resources to the seven thematic priorities.

20. Another key matter would be the work of the policy-making organs. Pending guidance by Member States, the Secretariat would cooperate fully in any initiative to rationalize the frequency of meetings or to streamline their agendas.

21. He stressed that UNIDO, as a specialized agency, ought to have more substantive guidance and that the Board should devote less time to administrative matters. There was sometimes a dangerous temptation for Member States to become involved in areas that were the province of the Secretariat and even in matters of staff recruitment and separation.

22. Reform was not an end in itself. It had to serve a purpose and, for UNIDO, that purpose could only be to serve the needs of Member States better. Procedural, administrative and managerial improvements were only tools. The thrust of UNIDO's reform was to redefine the Organization's relevance and to tailor its services better to the demands of Member States, rather than to devote attention to procedural aspects. Once the process was completed, UNIDO's substantive programmes should again occupy the centre of the stage. The programmes justified the Organization and gave it a unique mandate as a specialized agency.

23. His report placed special emphasis on some initiatives taken in different programme areas to increase the relevance and impact of UNIDO's work.

24. Firstly, he referred to the high-impact programmes initiated during the accelerated reform phase in the second half of 1995. Most of those programmes had now been elaborated into full-fledged programme documents and had attracted significant funding.

25. Secondly, the Organization was in the process of adjusting its regional support programmes, taking into account the new thematic priorities. He called on the regional groups to participate actively in that process.

26. The report set out the main features of the Alliance for Africa's Industrialization, which he was proposing as a unique UNIDO complement to the Special Initiative on Africa launched by the Secretary-General of the United Nations. The Alliance was a synthesis of various forms of support UNIDO could provide to assist African industry to increase its international competitiveness and to expand its production capacity. The Alliance would initially focus on promoting natural resource-based industries and strengthening linkages between manufacturing and the primary and service sectors of the economy. It would seek to create a framework for industrial development and to encourage the input of local and foreign technology and investment with a view to achieving sustainable industrial development. Employment creation in urban and rural areas would be particularly stressed in innovative support programmes for small- and medium-scale industry. The success of the Alliance depended on three prerequisites: African ownership, built on national, subregional and regional initiatives; mobilization of local resources, investment and leadership; a platform of political and macroeconomic stability.

27. He was convinced that the developing countries, particularly in Africa, had frequently been offered or had imposed on them international cooperation programmes based on "magic formulas" that were simplistic and over-optimistic and, above all, removed from the real needs of the recipient countries. Even more importantly, such programmes had proved ineffective for recipient and donor countries alike.

28. The principal role of UNIDO in the Alliance would be to act as a catalyst for action by the African countries themselves and to mobilize technical and financial resources. At a recent meeting in Pretoria, the Board of the Conference of African Ministers of Industry had welcomed those ideas and recommended that they should be further developed and that consultations should be initiated with OAU, ECA and ADB.

29. A new, more action-oriented programme for the relatively less developed countries would be implemented, partly through the Alliance for Africa's Industrialization. At the same time, separate attention would be given to such countries, particularly in Asia and the Pacific.

30. He intended to set up a consultation group of Member States to reformulate the programme for technical and economic cooperation among developing countries, the importance of which had been stressed by the Group of 77, the People's Republic of China and the Group of 15. The aim was to transfer the rich industrial experience of the more advanced developing countries to the relatively less developed ones. Accordingly two seminars for Latin American countries and economies in transition had been programmed recently with the Korea International Cooperation Agency, after the successful workshop for Africa held in 1995. A proposal was also being worked out for industrial, technical and economic cooperation among developing countries, to be presented to the meeting of the Group of 15 at Harare in November 1996.

31. He would present at the sixteenth session of the Board a detailed report on the work being done on UNIDO's global forum function. UNIDO could and should play a key role in facilitating the successful participation of developing countries and economies in transition in the new global context of interdependence and trade liberalization.

32. In view of the vital importance of interagency coordination within the United Nations system he had, *inter alia*, signed a joint communiqué with the Secretary-General of UNCTAD. Even with the best of intentions, cooperation would suffer, and even fail, if two organizations engaged in the same tasks. He had accordingly agreed to hold a meeting with the executive heads of UNCTAD, WTO and ITC to discuss potential areas for cooperation. A memorandum of understanding had been signed with the Inter-American Development Bank regarding services to be provided by UNIDO in the context of technical cooperation projects financed by bank loans. Similar efforts were also being made with regional development banks and the World Bank.

33. The Board would have to consider matters such as the mobilization of financial resources for UNIDO programmes, the Second Industrial Development Decade for Africa, the industrialization of the LDCs and the field representation of UNIDO. Despite general support by Member States, UNIDO's field representation programme would soon be substantially reduced unless additional financial contributions were forthcoming. Fortunately, some countries had reacted favourably by sharing local costs—for instance, Côte d'Ivoire and Kenya.

34. In conclusion, he stated that the prospects for UNIDO would be promising if it received decisive and unwavering support. An unprecedented reform process had taken place and a very severe financial crisis had been overcome. Substantive services had been reoriented and their volume increased.

35. The support of Member States continued to be crucial, and he was glad to be able to cite the joint declaration of the sixth meeting of Ministers of Foreign Affairs of the European Union and of the Rio Group of Latin American countries, held at Cochabamba, Bolivia, in April, which stated that the Ministers had underlined the importance of industrialization as a means of achieving sustainable development and that in that context they had emphasized the role of UNIDO and welcomed the ongoing reform.

36. In that spirit, he wished the Board every success in its work.

ORGANIZATION OF WORK

37. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum. A quorum would not be considered a requirement for starting meetings, except in the case of meetings at which decisions of a substantive nature were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which might be waived if no member of the Board objected.

38. In the absence of any comments or objections, he would assume that the Board wished to suspend rule 32.

39. *It was so decided.*

40. He announced that Member States wishing to submit draft decisions should do so in writing and well in advance.

POLICY FRAMEWORK OF UNIDO — ORGANIZATIONAL AND STAFF STRUCTURE (IDB.15/14)

41. **Mr. INDELICATO** (Italy), speaking on behalf of the European Union, Bulgaria, Cyprus, the Czech Republic, Hungary, Malta, Poland, Romania, Slovakia and Ukraine, said that the European Union had noted that the reform process was now being implemented across all aspects of UNIDO's work. It welcomed the establishment of the new Policy Coordination Office as a means of overseeing the coordination of all the new management structures and programmes. That should ensure that programmes and core activities were in keeping with the established priorities and objectives and were run on cost-effective lines. Most of the instruments needed to implement UNIDO's mandate were now in place, and the Director-General should be encouraged to conclude the final phase of the reform as scheduled, so that attention could be focused on substantive issues.

42. The European Union continued to attach great importance to the further focusing and deselection of activities within the established priority areas. In that regard, the high-impact programmes represented a positive new approach; it was to be hoped that UNIDO would be able to secure the financial resources required for their successful implementation and that those programmes would provide a model for future activities.

43. Document IDB.15/7 showed that UNIDO had in recent months pursued the question of new sources of funds. All avenues for private sector funding should be explored, and the Director-General should be encouraged to expand contacts with industrial enterprises with a view to mobilizing funds for work in the priority areas and to reinforce links with important partners in industrial development on a more global level.

44. Regarding personnel issues and the staff reduction programme, the European Union believed that the mechanisms agreed upon by Member States at the last General Conference session had allowed the exercise to be completed efficiently and with the full support of the staff members concerned. It was pleasing to note that non-voluntary redundancies had affected only 12 per cent of the total number of jobs lost, which was lower than expected. All staff members should now be encouraged to rise to the challenges ahead with professionalism and dedication. On the question of senior appointments, the European Union was willing, in the interests of transparency and confidence, to work with the Secretariat in exploring further possibilities for consultation, without infringing UNIDO's management practices and the prerogatives of the Director-General.

45. Regarding the question of coordination and streamlining across the United Nations system, the European Union welcomed the recent UNIDO/UNCTAD agreement and the discussions currently under way with WTO and other organizations. The continuation and expansion of such cooperation should be encouraged. In the interests of streamlining activities and increasing efficiency within UNIDO, the European Union believed that there was scope for reducing the number and duration of meetings of the policy-making organs. It considered that the sessions of the PBC and IDB due to take place later in the year, both of which were scheduled to last five days, were too long. It wished to suggest that the two sessions be merged and held during one week. The savings both for UNIDO and for Member States would be substantial, and the Secretariat would be able to provide the relevant information in all official languages on time.

46. **Mr. ELFEKI** (Egypt) said that, in the five months since the last General Conference session, the process of financial and administrative reform of the Organization had been pursued, with reductions in costs, reformulation of priorities and a sharper focusing of activities. Despite

the success achieved, thanks to the commitment of Member States to the continued survival of the Organization and the efforts of the Secretariat and staff in implementing the contingency plans adopted by the General Conference, UNIDO's financial situation was still vulnerable. Member States' arrears in their assessed contributions had totalled $181 million at the end of 1995, the highest level ever reached. His delegation therefore called upon Member States to make every effort to enable the Organization's financial difficulties to be overcome.

47. With regard to the programme for the Second Industrial Development Decade for Africa (IDDA), he wished to stress the importance of allocating greater human and financial resources in order to establish its activities on a more permanent basis. The present structure of the programme was not acceptable to his delegation. Egypt believed that the Director-General's proposal for an Alliance for Africa's Industrialization represented a more sophisticated conceptual approach, which could serve as a source of inspiration for activities under the Second IDDA. However, it failed to understand how that new initiative could be financed from the resources allocated for the IDDA, which were already intended to fund activities of essential need to the continent.

48. On the question of the provision of technical assistance to the Arab States with a view to strengthening their industrial sectors, his delegation had noted that, despite the decisions adopted by the sixth General Conference session regarding the strengthening of that programme, there had been a reduction of two posts, which would have an adverse impact on the operation of the programme. He therefore hoped that those posts would be reinstated.

49. His delegation wished to stress the importance of the field representation programme for the developing countries, particularly the least developed countries (LDCs). It was concerned to note in document IDB.15/12 the reduction of financial support for that programme, which would prevent UNIDO from maintaining the current composition of its field offices. Egypt supported the Director-General's remarks concerning the importance of cooperation among donor, recipient and host countries with a view to providing the necessary support for the programme, and was in favour of extending the activities of the UNIDO Country Directors (UCDs) in order to increase their flexibility, which could facilitate fund mobilization activities under the programme.

50. His delegation wished once again to draw attention to the underrepresentation of African and Arab States in the Organization, the number of nationals of those States within the Secretariat currently standing at about 60. That situation needed to be rectified in line with the principle of equitable geographical distribution, and his delegation hoped to be provided with additional information on the matter.

51. Finally, he wished to draw attention to the late issue of the Arabic version of a number of Board documents. Steps should be taken to ensure that Arabic-speaking delegations were fully able to participate in the work of the Board.

52. **Ms. HASAN** (Pakistan), speaking on behalf of the Group of 77, said that the Group believed that many developing countries had been marginalized in the industrialization process. The economic imbalance between the rich and poor nations would be heightened, to the disadvantage of international economic integration, if the latter countries were not assisted in their industrial development so as to enable them to compete globally. The Group therefore wished to re-emphasize the continuing importance and relevance of UNIDO as a provider of industrial and integrated technical cooperation services to developing countries. The Group appreciated that most developed countries, which were equal partners in the process, shared the view that industrialization was a key factor in achieving sustainable development, and it called upon all members to continue to extend their political and financial support for UNIDO. It expected a high level of commitment from the Organization, the Director-General and the entire staff in order to achieve high standards of performance and efficiency. It also sought a commitment that those developing countries which continued to be underrepresented within the Secretariat would be granted equitable representation at all levels of the Organization.

53. The Group recognized the importance of ensuring good governance of UNIDO through its policy-making bodies, and would collaborate with all Member States in order to ensure that the Organization's activities were demand-driven. It would also examine processes in the policy-making organs to ensure that all programmes and projects were endorsed by those bodies, with a view to achieving full transparency and high quality. In that connection, within the twelve activity areas of reform finalization (IDB.15/14, p. 2), the Group viewed activity A-5 and its expected outputs as an important area.

54. There was a gross disparity in the levels of industrialization of different countries. In the interests of global economic cohesion, that disparity had to be reduced. One way of achieving that end might be to have value-reduced or non-profit-making transfers of technologies from countries that possessed those technologies to countries that did not, primarily in areas having a bearing on standards of living, the environment

and the reduction of human suffering. Similarly, consideration could be given to earmarking locations for certain types of industries in developing countries through international agreements.

55. While encouraging the Director-General to conclude the reform process, the Group would also request that he improve the time-recording system for high-quality monitoring of programmes and evaluation on the basis of staff cost accounting and analysis, establish result-oriented planning and budgeting systems based on Member States' demand, keeping in mind sectoral and thematic priorities, and expedite the process of decentralizing administrative project implementation tasks to individual backstopping project managers. It would urge him to conduct more consultations with Member States and representatives of regional groups in order to obtain their views in the remaining stage of the reform process, particularly with regard to the separation and appointment of senior managers, and to take account of Article 11, paragraph 5, of the Constitution of UNIDO and chapter V of document IDB.15/14 concerning the revised recruitment scheme with heightened accountability and strengthened decision-making capacity of UNIDO Country Directors. It hoped that the Director-General would report to the Board at its next session on the impact of the reform process with regard to the establishment and achievement of a new action-oriented formulation for economic and technical cooperation among developing countries, the implementation of priority needs expressed by Member States, and the involvement of the private sector in developing countries as beneficiary and counterpart of the Organization's activities.

The meeting rose at 5 p.m.

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United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Fifteenth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 7 May 1996, at 10 a.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
-	Organizational matters	1 - 4
4	Policy framework of UNIDO — Organizational and staff structure *(continued)*	5 - 114

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The meeting was called to order at 10.15 a.m.

ORGANIZATIONAL MATTERS

1. **The PRESIDENT** said that the Bureau recommended the establishment of informal consultations to facilitate the drafting of decisions on agenda items 4 to 11 as well as item 14. Concerning item 13 — "Matters related to intergovernmental, non-governmental, governmental and other organizations" — the Board would have to decide on the applications of a number of intergovernmental organizations wishing to enter into a relationship agreement with UNIDO and of a number of non-governmental organizations that had applied for consultative status. It was recommended that the Bureau itself should examine the applications of those organizations and report directly to the plenary.

2. *The above recommendation was adopted.*

3. **The PRESIDENT** said that the Bureau recommended that Mr. Posta (Hungary), Vice-President of the Board, should chair the consultations.

4. A request had been received for the presentation of the staff's views. If he heard no objection, he would give the floor to the staff representative at the next meeting.

UNIDO POLICY FRAMEWORK — ORGANIZATIONAL AND STAFF STRUCTURE *(continued)* (IDB.15/14)

5. **Mr. HOJJAT** (Islamic Republic of Iran) said that as long as UNIDO was able to move ahead in fulfilling its mandate for the industrialization of the developing and the least developed countries, it would enjoy the support of those countries. Despite the goodwill shown by UNIDO's officials, the demands of Member States had not been met and the elementary requirements of industrialization not provided. In a world where the volume of global services was close to $4 trillion, of which only a small portion belonged to the developing countries, what were the prospects for those countries? The developing countries should have a greater share in the markets for software, engineering and consulting services. UNIDO should consider the benefits to Member States in agreements concluded with WTO or other specialized agencies or international organizations. UNIDO should enhance the engineering and consulting capabilities of Member States through such measures as specialized courses for the developing countries. The names of engineering and consulting firms in developing countries were registered on the UNIDO roster, but so far nothing had been done to assign subcontracting work to them. Such firms should be strengthened.

6. Member States had concluded that, in order to fulfil its mandate, UNIDO should undergo a fundamental restructuring. All organizations and firms were endeavouring to adapt to the accelerated pace of technological advancement. The Director-General had observed in document IDB.15/14 (paragraph 3) that the reform process had covered most of its ambitious agenda. Member States therefore hoped soon to see the positive results of the five development objectives of UNIDO approved as the main axis of UNIDO reform at the fifth session of the General Conference. They expected that, as a result of the reform, particular importance would be attached to strengthening and stabilizing the management of special programmes. Unfortunately, management of area programmes was now provisional and non-uniform.

7. His delegation commended the restructuring of UNIDO but would like the Director-General to pay close attention to the following recommendations: (a) UNIDO should avoid politicizing decisions and taking special positions; (b) it should allocate posts, particularly critical ones, on the basis of equitable geographical distribution; (c) appointment to and dismissal from critical posts must be carried out in consultation with the regional groups; (d) training activities in the developing and least developed countries must be strengthened and the Human Resource Development Programme must be revitalized; (e) the Director-General should present the cooperation programmes for Asian countries as soon as possible.

8. **Mr. BOERSNER** (Observer for Venezuela), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the Group welcomed the Cochabamba Declaration adopted at the sixth Institutionalized Ministerial Meeting between the Rio Group and the European Union, held in April 1996. The Declaration stressed the importance of industrial development and UNIDO's role in the process.

9. Referring to document IDB.15/14, he said that GRULAC recognized the results achieved by the Director-General in the process of reform and restructuring. It encouraged him to pursue his efforts in that direction and reiterated its commitment to supporting the reform and restructuring process.

10. He noted that the Latin American countries remained convinced that UNIDO was the Organization needed to carry out the essential task of promoting effective and sustainable industrialization of developing countries. UNIDO's specific functions could not be taken on by any other organization, even those doing excellent work in the development field.

11. GRULAC supported the statement made by the Chairman of the Group of 77 at the first meeting and the draft decisions elaborated by the Group of 77.

12. **Mr. BENMOUSSA** (Morocco), speaking on behalf of the African Group, said that the rapid and sustainable industrial development of the developing countries and least developed countries was necessary to avoid the deterioration of their economic situation, particularly in the context of the trade liberalization system adopted at the end of the Uruguay Round. The reformed UNIDO should therefore have the capacity to provide essential support to the developing countries in order to make their industries more competitive at the international level. The reforms and restructuring were not an end in themselves but a means to build a stronger Organization able to fulfil its unique mandate. With the completion of the first stage of the reform process, UNIDO should now focus its efforts on other aspects of the reform. Those included: the concentration of its activities on the seven thematic priorities; implementation of the five sectoral priorities; promotion of high-impact projects; use of new financial modalities. The African countries would continue to provide their full support for the Director-General's efforts to revitalize the Organization, as long as the interests of the African region were taken into account, programmes for Africa implemented and the share of African staff in the Secretariat increased.

13. While other geographical areas were making great economic progress, Africa remained in the shadow of poverty, uncertainty and backwardness. Although Africa had been declared a geographical priority for UNIDO and the United Nations system as a whole, 10 stubborn facts pertained to that region. Seventy per cent of all LDCs and two thirds of all land-locked countries were in Africa. The gap between the developed countries and Africa was steadily increasing. The world's poorest citizens, who lived chiefly in Africa, possessed only 3.6 per cent of the world's wealth: in 1960, they had had 4.9 per cent. While foreign direct investment world-wide totalled $235 billion, the share of sub-Saharan African countries was less than $3 billion. The contribution of industry to the gross domestic product of African countries had stagnated since 1981. Industrial products constituted barely 11 per cent of the continent's trade balance. Africa's share in manufactured value added at the international level had decreased from 1 per cent in 1982 to less than 0.8 per cent in 1994. UNIDO's technical cooperation delivery for sub-Saharan countries had decreased from $27 million in 1992 to $12 million in 1995. There was not a single Investment Promotion Service in Africa. UNIDO field representation covered less than 50 per cent of all African countries and included a large contingent of Junior Professional Officers, whereas the continent needed more experienced officers.

14. UNIDO should focus its efforts on improving the management of the IDDA programme and should provide, during the biennium 1996-1997, an in-depth evaluation of implementation of the Second IDDA programme. The emphasis on the African continent within the restructuring plan should increasingly be reflected in other sectors. A close linkage should be established between the IDDA programme and the IPS network. Means of establishing an industrial training fund should be explored, since the presence of qualified human resources was indispensable for sustaining African industry and creating an environment conducive to attraction of foreign direct investment.

15. African countries were anxious to see the fulfilment of a number of promises made to Africa concerning its industrialization. More detailed information on the Alliance for Africa's Industrialization proposed by the Director-General was needed: what would be the relationship between the IDDA and the Alliance, what measures were envisaged for the financial and technical implementation of the Alliance, should the scarce money in the IDDA fund really be devoted to promoting the Alliance, and were any new initiatives at all really needed? Would it not be wiser to evaluate previous initiatives so as to understand why they had failed before launching new ones? Africa did not lack ideas and imagination, but was in need of funds and effective technical support from the international community. Regular consultations with African countries and missions were necessary in order to explore the best ways of achieving success.

16. The underrepresentation of the African continent within the Secretariat remained a major concern for the African Group. In view of the Director-General's undertaking to allocate a senior position for African nationals, it was difficult to understand why the head of the Least Developed Countries Unit was not from Africa. The African Group would insist on playing its proper role in the governance of the Organization through enhanced representation at the top management level. Justice was due to Africa; the principle of equity among States was at the very foundation of the United Nations system.

17. **Mrs. LAJOUS** (Mexico) said that the recent Cochabamba Declaration had emphasized the importance of industrialization as a means of achieving sustainable development and recognized the role of UNIDO therein. Similar expressions of support had emerged from other forums. The process of reform of UNIDO started by Member States in 1993 was now producing positive results.

18. The Mexican delegation had noted with satisfaction the information in document IDB.15/14 on the measures adopted in the first quarter of 1996, which covered the final phase of reform of UNIDO. The new format of the documents on the reform was a clear consequence of the changes which had taken place.

19. The 12 activity areas in which the work of the final phase of the reform would be concentrated fully corresponded to the expectations of Member States. Furthermore, the new organizational and staff structure provided better opportunities for ensuring effective links within the Organization. The new Policy Coordination Office would facilitate monitoring of the entire process of management of UNIDO services. The neutrality of quality assurance and evaluation would be better guaranteed, while the merging of the funds mobilization function and the regional and country programming function would provide a more integrated focus.

20. Her delegation was aware that the changes and adjustments in the Organization, the definition of activity areas and the introduction of the new teamwork approach had involved a large-scale staff reduction exercise, particularly in the past few months. The measures taken to cope with that difficult phase and the results achieved deserved full recognition.

21. With regard to the management of UNIDO services, her delegation, generally speaking, endorsed the proposals for focusing and simplifying the project cycle and welcomed the dual approach for the development of UNIDO service programmes, namely active programming and ad hoc responses. To guarantee the results expected of that approach, it was essential that there should be ongoing dialogue between and joint inputs by the Secretariat and Member States, particularly through their permanent missions in Vienna.

22. With regard to new programme initiatives, the Mexican delegation welcomed the progress reported in document IDB.15/14, on four of the five high-impact programmes developed. It urged Member States to participate actively in the submission of proposals for the definition and selection of new high-impact programmes.

23. The Mexican delegation attached particular importance to South-South cooperation and had noted with interest the renewed emphasis on economic and technical cooperation among developing countries and the efforts being made to reformulate UNIDO's South-South programme. The delegation had also noted the support offered by the Korea International Cooperation Agency for two seminars to take place before the next session of the Board. The Mexican Government was ready to participate and cooperate in strengthening South-South cooperation and looked forward to taking part in the seminar planned for Latin America.

24. The Director-General and Secretariat were to be commended for their efforts to promote better inter-agency coordination. In that connection, her delegation had been pleased to note the meetings that had taken place with agencies such as the World Bank, FAO, UNESCO, WHO and WTO. The memorandum of understanding signed recently between UNIDO and the Inter-American Development Bank establishing a model agreement for services to be provided by UNIDO in respect of technical cooperation projects financed by that bank was particularly important. The consultations between the Director-General of UNIDO and the Secretary-General of UNCTAD aimed at achieving greater complementarity in the respective work programmes and the proposals for annual high-level consultations and measures to increase cooperation in science and technology, investment promotion and enterprise development were also to be welcomed.

25. **Mr. MAZILU** (Romania), endorsing the statement made on behalf of the European Union, said that the report by the Director-General (IDB.15/14) showed that the reform process had been accelerated since the 1995 General Conference, which had marked the turning-point for UNIDO. The fact that the reform process appeared to be following the lines of GC.6/Res.1 was welcome. However, as far as the new programme initiatives were concerned, there appeared to be several unexplored possibilities of cooperation under the auspices of UNIDO which would take into account the experience of countries in transition and the role both as recipient and donor which those countries could play. Romania, being a beneficiary of UNIDO projects, was in a position to grant technical assistance to developing countries, and was ready to support any concrete action-oriented initiative which would link its industrial experience and potential with the needs of any of the least developed countries.

26. With regard to inter-agency coordination, his delegation welcomed the agreement concluded by UNIDO with organizations and financial institutions such as UNCTAD and the Inter-American Development Bank, and looked forward to the conclusion of the memorandum of understanding with UNDP.

27. In view of the active policy of many countries, particularly in Central and Eastern Europe, to attract foreign direct investment, the Board's attention was drawn to the possibility of intensifying the role of UNIDO in investment promotion activities. To that end, closer contacts with manufacturers' associations, chambers of commerce and so forth, which were in a

position to fund specific UNIDO projects, might usefully be made.

28. While supporting the idea of creating National Industrial Advisory Councils in various countries, the Romanian delegation considered that, in the process of establishing the prerogatives of such councils, UNIDO might usefully review the experience of the joint UNIDO national centres which were functioning successfully in several countries, and which might actively participate in the national councils and promote UNIDO's capabilities and expertise among local industrial partners.

29. **Mr. AKAO** (Japan), presenting his delegation's views on agenda item 4, concerning the policy framework of UNIDO, said that while recognizing the role of international organizations within the international community, the Japanese delegation considered it to be the responsibility of each organization to promote its efficiency, avoid duplication of work and re-examine its function and existence in the light of current needs. It consequently commended UNIDO on implementing a reform process which had yielded such positive results. As 1996 marked the concluding year of the reform process initiated at the 1993 General Conference session at Yaoundé, it was to be hoped that such steps as the setting of the seven thematic priorities, the reorganization and downsizing of the Secretariat and the improvement of internal procedures would result in tangible success for the Organization. It was also to be hoped that the reform process, which had begun before that of other organizations, would become a model for ongoing discussions in the United Nations and other international organizations.

30. The momentum of reform should henceforth be maintained to enable UNIDO eventually to evolve from an implementation agency to a policy advisory agency. That change would mean giving further priority to recipient countries and placing greater emphasis on upstream activities, taking into account the limited financial and human resource capability of the Organization.

31. In addition, to achieve the goals of reform based on the thematic priorities, the organization of the Secretariat would have to be strengthened through the redeployment of offices and personnel.

32. The Japanese delegation appreciated the numerous reform efforts by the Secretariat, assisted by external consultants, to improve the processes within the Organization, particularly through the introduction of a new project cycle management system, basic management principles, a new personnel policy, and an accounting system, all of which should be implemented in a timely manner. Furthermore, the Secretariat should report on the implementation and evaluation of the process at the next session of the Board.

33. The Japanese Government took a keen interest in the high-impact programmes and was considering providing funds for some of those programmes to the extent possible. It also noted with interest the information given in table 1 of the Director-General's report (IDB.15/14), and the programmes developed under the new programme initiatives.

34. The Japanese delegation strongly supported the selection of LDCs and Africa as priority areas for UNIDO services, given the importance of Africa's industrialization process and the Second IDDA. To achieve that objective, technical cooperation should be provided to those regions under the regular budget, and to other developing countries and economies in transition from extrabudgetary resources. In addition to the priority regions, UNIDO should play an important role in the reconstruction and rehabilitation of post-conflict regions throughout the world, such as Bosnia and Herzegovina, by initiating the industrialization process on an ad hoc basis.

35. Japan supported the Secretariat's cooperation with UNCTAD and WTO. However, when combining efforts with other international organizations, the Secretariat should set a demarcation line to prevent the duplication of mandates and establish a complementary relationship based on the comparative advantages of each organization.

36. The Japanese Government attached great importance to UNIDO's role in promoting the industrialization of developing countries and was committed to supporting the furtherance of UNIDO as a specialized agency capable of addressing the issue of development in a proper manner.

37. Referring to agenda item 6 ("Mobilization of financial resources for UNIDO programmes"), he said that the Japanese delegation encouraged the Secretariat's continued efforts to develop access to new donors and international organizations such as the Montreal Protocol, the Common Fund for Commodities, the Global Environment Facility, and the World Bank, and to mobilize financial resources by those and other means. It commended the successful efforts of the divisions directly concerned with the mobilization of such resources and particularly those which had successfully secured resources from the Montreal Fund. While encouraging further efforts in that regard, the Japanese delegation considered it essential to strengthen the function of the Coordination of Funds Mobilization Section.

38. On agenda item 10 ("Field representation"), he said that, in view of the serious financial situation of UNIDO and inevitable termination of financial support by UNDP to UCD offices at the end of 1997, the increasing difficulties of expanding or even maintaining the UCD network were obvious. The Japanese delegation therefore believed that the UCD programme should be financed from extrabudgetary resources and requested the Secretariat to seek alternative sources of financing for the UCD programme, as well as making it mandatory for host Governments to bear the local administrative costs.

39. The Secretariat should in future try to cover the LDCs and African countries as first priority in the redeployment of UCD offices and should introduce a rotation system between field office and headquarters personnel. That system would increase the fluidity of personnel arrangements and provide a means of ensuring field experience for all Professional staff members of the Secretariat, while fully supporting the goal of revitalizing UNIDO. In that connection, the practice of UNDP and UNICEF was a good example to follow.

40. On agenda item 11 ("Personnel matters"), he said that the Japanese delegation welcomed the fact that the staff separation scheme was proceeding in a positive manner, and hoped that the non-voluntary phase would be finalized harmoniously in the near future to enable UNIDO to concentrate on substantive matters. It was particularly important that the responsibilities of the remaining staff members be clearly defined, and for that reason the personnel structure of the Secretariat should be completed within the first half of 1996.

41. In order to create a new and revitalized UNIDO, the Secretariat should identify talented staff from its own midst, promote them to their full potential and deploy them in areas where their expertise could be maximized, as well as recruiting new blood from outside.

42. **Mrs. OK** (Turkey) said that it was clear from the documents on the reform process that UNIDO had adopted new, contemporary concepts never before considered. The Turkish delegation particularly appreciated the planned efforts to reform field offices, the personnel reform process, the reform of the governance process and improvements in communication and industry links. It was also clear that the painful staff reduction exercise had had a negative impact on the conclusion of the reform process, although the recommendations of the external consultants showed that there was still plenty of room for improvement.

43. Firstly, the government of UNIDO needed to be reformed. The vast changes introduced by the Board and the General Conference could only be implemented if the staff made the philosophy their own. That could only happen if the philosophy was completely transparent. The management of UNIDO had still failed to involve staff in the decision-making process. The involvement of staff would reduce the tendency towards indecision. A new management approach should be pursued, involving staff members, and decisions, once taken, should be implemented immediately.

44. Secondly, very important decisions relating to the improvement and reform of the Organization were still pending. Although efforts were being made towards new concepts, the reform process still needed to be speeded up if tangible qualitative and quantitative results were to be obtained. The Turkish delegation fully supported the suggestion of the external consultants that high performers in the Organization should be identified and given responsibility for reform activities. Reform would more easily be achieved with the necessary capacity and qualification and the delegation of authority to capable staff.

45. Thirdly, while the Turkish delegation had no objection to maintaining efforts to achieve a reasonable geographical distribution of staff, it had serious concerns about the ways that objective was pursued. Neither geographical distribution nor political considerations should be allowed to pre-empt qualification for any particular post. The Turkish delegation agreed with the consultants' proposal that the Organization adopt a training system to support the reform process, followed by the establishment of a common training system for the entire Vienna-based Organization, with outsourcing in general training areas such as EDP, management skills and languages.

46. Another important issue was the avoidance of duplication of activities with other international organizations. In that connection, it was crucial for the future of the Organization that UNIDO's management should make great efforts to emphasize the mandate conferred on it by the General Conference and seek the support of members and public opinion on that mandate.

47. In view of the present constraints within the United Nations system, it was no secret that many international organizations were in serious competition. The Organization should maintain a constant dialogue with Member States, communicating information on its activities as well as on the constraints which it faced in responding to their requests. In so doing, the Director-General should use the qualified technical officers in charge to brief or inform Member States.

48. Lastly, as recommended by the external consultants, UNIDO needed to elaborate on its function as a global forum and take immediate action to develop

that function. The Turkish delegation supported the external consultants' advice that the Information and Research Division should undertake that activity, even under a structural unit.

49. **Mr. JEDDA** (Tunisia) commended the Director-General and the Secretariat for their efforts to reform UNIDO and improve its effectiveness in promoting the industrialization of the developing countries and the LDCs.

50. During the present economic difficulties, developing countries needed greater support than ever in their efforts to renovate their industrial fabric in order to become more competitive and efficient. In that connection, the Tunisian delegation supported the statements made on behalf of the African Group and the Group of 77 and emphasized the importance of according high priority to the industrialization of the developing countries in general and to Africa in particular.

51. With regard to the reform of UNIDO, the Tunisian delegation attached importance to project cycle management, cross-organizational teamwork and consolidated reporting. It also felt that care should be taken to ensure that the roles and responsibilities of the various organizational units of UNIDO in the process of developing programmes and projects did not hamper project approval through the "rigorous screening" referred to in paragraph 14 of the Director-General's report (IDB.15/14).

52. Turning to paragraph 21 of that report, referring to programme and project implementation, the Tunisian delegation approved the preparation of a Director-General's bulletin on the principles and procedures for project implementation in order to increase quality services for Member States and reduce project implementation delays.

53. Referring to the Director-General's bulletins on management principles and the like, he suggested that, in order to consolidate UNIDO's new management culture, those bulletins should be brought together in a single uniform document. A similar approach would be useful with regard to the duties of the UCD and IPS offices.

54. With respect to the least developed countries, his delegation noted the statement in paragraph 31 of document IDB.15/14 that a more action-oriented programme would be presented to Member States in the second half of 1996.

55. His delegation looked forward to seeing the effective implementation of the reform process started in 1993 and the application of the thematic priorities agreed upon, especially those directly related to the industrialization of the developing countries in general.

56. In connection with the mobilization of financial resources for UNIDO programmes, his delegation would encourage the Secretariat to seek to develop access to new sources of financing for the industrialization of the developing countries from donor countries and international organizations, including the Global Environment Facility and the African Development Bank.

57. **Mr. GUYE** (Switzerland) welcomed the progress made in implementing the reforms that had been decided upon at Yaoundé in 1993, and hoped that the result would be a rejuvenated and more effective Organization capable of meeting the present challenges and of coping with the budgetary constraints now facing the whole United Nations family.

58. His delegation was somewhat concerned by the title of document IDB.15/14 — "Concluding the reform of UNIDO" — because a few months of additional efforts could hardly complete the reform process. It was clear that in-depth reform of an institution like UNIDO meant changing the culture and style of the Organization. There would be a need for continued strenuous reform for some time to come.

59. The effective decentralization of tasks and resources was also one of the Organization's priorities. It seemed clear that, as pointed out in document IDB.15/12, and particularly in paragraph 8, the establishment of 50 field offices, which had been regarded as crucial in order to strengthen the UNIDO presence in the field, would probably be unattainable without additional financial resources. But might it not be possible to bring about a decentralization that would have no budgetary implications or even enable economies to be made, by transferring tasks and personnel? His delegation believed that the field offices foreseen would be an essential element in a more effective UNIDO, closer to the realities in the field.

60. That having been said, Switzerland viewed the reform process so far as positive and was happy to continue its support for the Organization.

61. He would like now to refer to agenda items 8 ("Second Industrial Development Decade for Africa") and 9 ("Industrialization of the least developed countries"). There was general agreement on the need to give priority to the issues covered by those items, but the difficulties had to be acknowledged. No financial institution had yet found the magic formula to support the efforts of countries that were just launching their

industries. Since many international organizations and bilateral donors were trying to promote investment, there was a danger of overlap in programmes. His delegation therefore welcomed the work of coordination mentioned by the Director-General at the previous meeting and hoped that, in addition to UNCTAD, it would be extended to the World Bank group. The allotment of tasks to the various bodies should be based on their comparative advantages, and UNIDO had a special part to play in view of its experience.

62. **Mr. MOLLINGER** (Netherlands) said that, in view of the discussion at UNCTAD IX, which had started at Johannesburg the previous week, it would be useful to clarify his Government's position on UNIDO and its role in the United Nations family.

63. Mrs. Van Dok, the Netherlands Minister for Foreign Trade, had suggested the possibility of exploring a merger of UNIDO and UNCTAD, thus safeguarding the continuity of valuable work and reinforcing the socio-economic sector within the United Nations. That was not a proposal on which an immediate decision was needed, but merely an invitation to other countries and organizations to develop ideas to enhance further the effectiveness of the socio-economic sector of the United Nations. The Minister's statement had in fact been an elaboration of Netherlands comments at the last UNIDO General Conference session on matters of coordination, cooperation and rationalization within the United Nations.

64. The Netherlands continued to support UNIDO and its role within the United Nations, and commended the Secretariat for the results of the recent restructuring. However, that did not remove the obligation to explore further improvements, which might include a merger of UNIDO's valuable activities with those of other United Nations forums. He stressed that the Netherlands did not have a blueprint for such reconstruction and did not intend to submit any proposal at that point.

65. **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria) said that his delegation was concerned at the statement just made by the Netherlands delegation, but the issue was not that of freedom to provide food for thought on the future structure of the United Nations. Austria's concern was the timing, the place and the context of that statement.

66. The reform process in UNIDO was not yet complete, and could only be judged by the results at country level. The Organization deserved some breathing space without the threat of further restructuring.

67. Moreover, the painful process of personnel reduction was now in its final phase, and the staff had been greatly affected by the uncertainties involved. There had been much deep personal anxiety and psychological suffering. To speculate about UNIDO's future at that juncture would be very unfair.

68. Member States owed it to the multilateral cooperation envisaged in the Charter of the United Nations, and to the Director-General and his staff, to keep the commitment made between UNIDO and its membership at Yaoundé, and reconfirmed the previous December.

69. **Mr. SOKOLOV** (Russian Federation) said that the present session of the Board was proceeding amidst continuing discussion of the role of the United Nations in helping to tackle global political, economic and social problems. His country supported measures to strengthen the United Nations system, hasten its adaptation to the needs and realities of the late twentieth century, increase its contribution to sustainable development and to the alleviation of poverty and improvement of living standards throughout the world, and ensure the optimal use of limited resources.

70. Such matters were of direct relevance to the process of restructuring which UNIDO had embarked upon in 1993. His country continued to support UNIDO as a central element of the United Nations system for stimulating the industrial progress of developing countries and also, in recent years, "transitional" countries in the process of moving towards a market economy. Russia's support for the Organization was not only political but was also expressed in practical, financial terms.

71. Although Russia considered, along with several other countries, that the restructuring of UNIDO was not being carried out in an entirely systematic or consistent manner, it recognized that substantial progress has been made in the direction of reform in 1995. The report contained in document IDB.15/14 indicated that the UNIDO leadership had successfully discharged the tasks assigned to it at the sixth session of the General Conference. During the crucial final stage of reform, the Organization had been confronted with the very difficult task of establishing and running in new organizational structures and improving methods and procedures while at the same time making large-scale staff reductions. The Secretariat should be given all due credit for tackling both tasks successfully with very little loss of efficiency in the overall work of the Organization or, most importantly, in the technical cooperation programme. It was also important that, thanks to the support provided by Member States in assigning the unutilized balance of appropriations to the payment of separation indemnities, the staff reduction process had been conducted in a humane way.

72. His country welcomed the new, consolidated structure of the Secretariat and hoped that the measures taken to merge and redeploy various units and services and to abolish certain specific units would enhance the Organization's effectiveness, and that the new Policy Coordination Office would help to further improve the quality of programmes and projects by strengthening strategic planning and supervision.

73. Considerable progress had also been made in defining and refining the procedures applied in preparing, developing, approving and implementing programmes and projects. Such procedures were now more closely aligned with the needs of the recipient countries and with the seven thematic priorities which provided the focus of the Organization's activities.

74. He welcomed the steps taken by the Director-General to strengthen coordination between UNIDO's substantive work and that of other specialized agencies and international organizations engaged in development assistance. In particular, important agreements had been concluded with UNESCO and UNCTAD, defining the mandates and functions of those organizations in relation to UNIDO and eliminating any duplication of tasks. It was to be hoped that the endeavours to coordinate and establish closer working links with other specialized agencies would prove equally fruitful.

75. His delegation also appreciated the work done in selecting and preparing technical cooperation programmes and hoped that, as a result of the new programme initiatives described in the report, especially those encompassing the impact-oriented programmes for Africa, the least developed countries, South-South cooperation and the development of women's entrepreneurship, UNIDO's effectiveness in those areas would be increased.

76. As a transitional economy, Russia ascribed particular importance to enhancing UNIDO's role as a global forum for normative activities aimed at promoting the industrial development of recipient countries, including the formulation of international norms, standards and agreements in the sphere of industry, which were acquiring ever greater importance within the context of a world economy as it becomes globalized and liberalized at an ever faster rate.

77. Generally speaking, the Secretariat had kept pace with the schedule assigned to it at the sixth session of the General Conference for the final phase of the Organization's reform process. UNIDO today was in many ways a leaner body with a precisely defined set of tasks and functions directed towards providing quality services — albeit within a narrower range in which the Organization could offer definite advantages compared with other international organizations. The main thing now was to avoid the waste of efforts and resources so often characteristic of any bureaucratic restructuring. Russia's recent history illustrated that point only too well. However, the Director-General's intention, stated in his report, to maintain a reforming approach to the management of the Organization and to retain the cross-divisional structures emerging from the reform provided grounds for optimism.

78. Now that the process of administrative and organizational reform was essentially completed, the Board should at one of its future sessions examine the Organization's effectiveness as a provider of technical assistance for the purposes of industrial development. UNIDO should be given the opportunity to function for a while in its new form and to adapt to the new conditions before a final judgement was made as to the success of the reform process and before recommendations were formulated regarding ways of improving the Organization further.

79. **Mr. H.-K. LEE** (Republic of Korea) stressed the need for Member States to give stronger support to UNIDO's reform process in recognition of the Secretariat's continuing efforts to finalize the reform as early as possible. Detailed procedures and mechanisms should be elaborated in a number of areas so that the principles laid down earlier were internalized in the Organization's work and effectively translated into day-to-day action.

80. His delegation welcomed document IDB.15/14, which was most informative. That document showed that the reform was being undertaken in a multidisciplinary way, regarding not only the organizational and staff structure but also regarding new programme initiatives, the management of UNIDO services and the improvement of the supporting processes. His delegation endorsed the various initiatives taken by the Secretariat including the alignment of project cycle management with the new thematic priorities, the revision of personnel policies and training, and the delegation of administrative and financial authority for UCD offices.

81. His delegation was pleased that UNIDO was fully geared to developing and implementing new substantive programmes in response to demand from Member States, taking into account the Organization's dual role as a global forum for industrial development and as a provider of integrated technical cooperation services. In that connection the approach through the high-impact programmes could make UNIDO's activities more action and result oriented to meet the real needs of its clients.

82. The Director-General's efforts for the Alliance for Africa's Industrialization, South-South cooperation and inter-agency cooperation were appreciated.

83. His delegation supported the Secretariat's efforts to conceptualize a new field of operations based on normative activities. However, the Secretariat should not become too ambitious in seeking new horizons, since the Organization was still facing difficulties. In that connection, UNIDO should provide services for industrial development on thematic, sectoral and geographical lines.

84. The Organization should avoid duplication with other intergovernmental bodies. In that connection, he welcomed the recent UNIDO-UNCTAD joint communiqué as part of the Organization's special coordination initiatives on industrial development in the United Nations system.

85. He reiterated his delegation's support for the Director-General's efforts to revitalize UNIDO and hoped that all Member States would support the Organization's continuing drive towards reform.

86. **Mr. ABDEL HALIM** (Sudan) said that his country believed that the path to peace, security and prosperity lay through solidarity and development, the achievement of which was a humanitarian duty for the entire international community. Particular attention should therefore be given to industrialization in the developing and least developed countries and Africa.

87. The statements made by the representatives of Pakistan on behalf of the Group of 77 and China and of Morocco on behalf of the African Group summarized the concern and expectations of all developing countries. Those countries, including his own, looked on UNIDO as their Organization. High-level meetings of the Non-Aligned Movement and of the Group of 77 had stressed the need for UNIDO to be preserved and to remain independent. Since the Non-Aligned Movement and the Group of 77 represented 133 out of the 185 States Members of the United Nations, their voice should be heard if the United Nations wished to preserve democracy. The Sudan supported UNIDO and its mandate and administration and believed that the staff should be enabled to do their work in the best possible way.

88. His delegation had noted document IDB.15/14 with appreciation and thanked the Director-General and the Secretariat for their work in implementing the measures adopted at Yaoundé in 1993. The Sudan welcomed the new structure of the Organization and hoped that further progress would be made in the interests of the developing countries and the least developed countries in particular.

89. While supporting all the reforms that had taken place in the first quarter of 1996, the Sudan believed that the developing and least developed countries were underrepresented in high-level posts in the Organization. He hoped that a good geographical distribution could be achieved by the Director-General, bearing in mind that, in accordance with article 11, paragraph 5, of the Constitution, the paramount consideration in the employment of the staff was to secure the highest standards of efficiency, competence and integrity. Member States should be able to continue to submit candidates of the highest competence for high-level posts. There should also be greater transparency in the consideration of candidatures, and he urged the Director-General to take account of the concern expressed by the developing countries in the African Group in that regard.

90. He appealed for all countries to support UNIDO, stressing the decisive importance of goodwill in that regard.

91. **Ms. HASAN** (Pakistan) welcomed the focus within the UNIDO reform process on programmes and activities based on approved objectives. In the more competitive climate following the WTO agreement and in keeping with global trends, many developing countries with experience of industrialization were now pursuing policies involving deregulation and liberal investment regimes. Some industries in those countries, however, would not be able to compete with the advanced countries unless UNIDO was upgraded to enable it to provide the necessary support facilities and access to information on investment opportunities and neutral technological options.

92. The introduction of processes aimed at improving the management of UNIDO was welcome but was no more than a means to an end, and all restructuring and rationalization should be linked to the needs of substantive programmes in the field. While it was as yet too early to expect the ongoing reforms to start producing visible results, efficient procedures were bound to bring about changes in organizational culture and corporate behaviour. A report on the actual operation of the new procedures and their impact on UNIDO's programme and also on the results of simplifying the project cycle would be of great interest to her country.

93. She welcomed the moves to strengthen the consultation process and, with particular regard to South-South cooperation, felt that consultations should be held with Member States as well as existing industry-related entities at the international and regional levels. In that

connection, it would be interesting to know whether the external consultants who had prepared a report on the matter would be involved in implementing the proposed reforms.

94. With regard to personnel policies, she expressed her delegation's concern at the regional and national disparities evident in the report contained in document IDB.15/3. The underrepresentation of the developing countries in the Secretariat should be rectified and the steps taken should be reported on. That was necessary both in terms of the requirements of the Constitution of UNIDO and in view of the need for regional representation in a multilateral organization. Moreover, there were many qualified and experienced professionals in developing countries who could serve the Organization well and bring to it a more intimate understanding of the problems of development.

95. **Mr. CELSO de OURO-PRETO** (Brazil) said that the concept underlying the foundation of UNIDO, namely that industry was one of the basic elements in the struggle for development, had been reaffirmed at the Montevideo Conference in 1995 and also at the recent Cochabamba Meeting.

96. He welcomed the laudable efforts undertaken by the Director-General and his staff to reduce costs and increase efficiency, but stressed that such an exercise was only one aspect of the challenge facing UNIDO. It was also necessary to decide how to respond to the extremely diverse demands of the complex process of industrialization in different countries, a process that could not be reduced to simplified models, especially in the developing world. The best approach to that challenge was to expand all forms of dialogue and negotiation with governments and local authorities in the countries concerned and to create flexible structures within UNIDO capable of responding to the full range of different requests and situations. In that regard, his country fully supported the strategy outlined in document IDB.15/14 regarding regular dialogue between UNIDO and the concerned authorities and development financing institutions, including UNDP, together with consultations with Member States and representatives of regional groups for the purpose of ensuring a demand-oriented approach within available resources.

97. His country supported the adoption of a simplified structure which would permit the more efficient use of resources. It also welcomed efforts aimed at increased cooperation between agencies of the United Nations system and, in that connection, congratulated the Director-General on the agreement recently reached with UNCTAD.

98. He stressed his country's particular interest in projects being planned or developed in Brazil for the establishment of centres for continental microbiology, clean technologies and genetic engineering, as well as projects relating to training. The importance of South-South cooperation with regard to such projects should be emphasized.

99. While noting the need to address the problem of some developing countries, including Brazil, becoming net contributors to UNIDO, he reaffirmed the need to maintain and further develop Latin America's participation in the Organization's activities.

100. **Mr. FABIJANSKI** (Poland) said that, with regard to the difficult task of assessing the viability of UNIDO only four months after the sixth session of the General Conference, his delegation associated itself with the statement made on behalf of the European Union, in particular concerning the establishment of the new Policy Coordination Office, the importance of further focusing UNIDO activities, implementation of staff reductions and coordination within the United Nations system. Moreover, the proposal to reduce the number and duration of meetings of the policy-making organs deserved serious consideration.

101. His delegation welcomed the report contained in document IDB.15/14, which gave an accurate overview of the Organization's priorities, targets and position in relation to the new world situation. In that regard, the continued restructuring of the Organization should be directed, on the one hand, towards meeting the current and predictable future needs of various groups of developing countries and economies in transition and, on the other, to serving the interests of industrialized countries by assisting the industrial development and economic transformation of those groups. Poland therefore supported all initiatives aimed at ensuring that UNIDO's tasks and targets continued to be geared to the practical needs of Member States.

102. Document IDB.15/14, together with the final report of the external consultants, provided an important insight into the problems of the final stage of the reform process, while also indicating the impressive results already achieved by the end of 1995. He was pleased to see that the impact of some of the achievements on the overall efficiency of the Organization's work could be measured in financial terms.

103. Although the staff reduction exercise and organizational restructuring had understandably overshadowed all the other efforts undertaken by the UNIDO leadership in the first quarter of the year and adversely affected programme delivery, the exercise had been conducted smoothly, causing only minor delays in

the reform process. It was to be hoped that the new, streamlined organizational structure of UNIDO could be stabilized at some stage in the medium term so that remaining staff might be able to concentrate fully on substantive work.

104. He agreed with the external consultants that the single most important process in UNIDO was that of the project cycle and welcomed its simplification, which should make for a further focusing of the Organization's activities and substantial savings at both the screening and implementation stages.

105. Turning to chapter IV of document IDB.15/14, regarding new programme initiatives for enhancing UNIDO's relevance, he noted that considerable interest had been shown by the donor community in funding high-impact programmes. He hoped that the endeavours to revitalize the activities of UNIDO in Africa and the LDCs would soon bring tangible results; the first signs were already indicated in document IDB.15/10.

106. He hoped that a clearer picture of what had been achieved in strengthening the normative functions of UNIDO would be available at the Board's sixteenth session. His country was also looking forward to the assessment of the impact of UNIDO's new staff performance evaluation system.

107. He noted with satisfaction that, in view of the exceptional budgetary situation prevailing during the 1996-1997 biennium, the Organization's programme and budgets were being implemented within the limits of available cash resources and in accordance with the contingency plans, and that prudence had been shown in withholding certain allocations to UNIDO programmes. With regard to the efforts to mobilize new sources of funds for such programmes, he acknowledged that it was premature to expect any quick or spectacular results and encouraged the UNIDO management to continue its systematic efforts to reach all categories of potential donors.

108. In short, Poland supported all efforts to adapt UNIDO to the new world economic situation and political order by limiting its activities to those of genuine importance for regional and national industrial development and eliminating any duplication of functions with other international organizations, while promoting synergies.

109. **Mr. OWIREDU** (Ghana) congratulated the Director-General and his staff on bringing about reforms, some painful but necessary for UNIDO's survival. He hoped that the staff affected by the reduction exercise had received a good enough handshake to enable them to start life afresh without problems.

110. In addition to the honour of being re-elected to serve on the Board, Ghana had also been selected as the venue for the next meeting of the Conference of African Ministers of Industry (CAMI), to be held at Accra the following year. Despite the financial burden of hosting that Conference, Ghana felt that the cause of fostering industrial development in Africa justified the outlay, especially in view of the support received from UNIDO over the years.

111. While Ghana had always benefited from UNIDO's services, there had been a dramatic improvement in those services when a Country Director had been assigned to Ghana in 1993. Field representation was immensely important for the developing and least developed countries; in his country such representation had yielded practical results in the form of studies on the wood and wood-processing industry, the use of *Gmelima arborea* as pulp wood for a pulp and paper project, the packaging industry and the textile and garment industry as well as the establishment of a database as part of the reorganization of the Ministry of Trade and Industry. A UNIDO expert was currently assisting a team from Ghana in prospecting for investors at a pulp and paper fair in Milan.

112. With regard to environmentally sustainable industrial development, it was gratifying to note such initiatives as the commercialization of research findings with a view to ensuring that the intended research institutions were able to meet the ISO 9000 and 14000 standards.

113. Following the Fourth World Conference on Women held in 1995, it was to be hoped that UNIDO would respond to the call for support in the development of programmes for women by encouraging Member States to integrate women fully in their industrial development activities at all levels. In general, UNIDO had already achieved a great deal in the area of human resource development through fellowship programmes, workshops, seminars and tailor-made training programmes. Such training was a vital component of industrial development and should be organized to meet industrial requirements both at national and district levels.

114. Ghana would persevere in its efforts to alleviate the plight of its neighbours whose developmental efforts were being undone by wars. UNIDO was serving a very useful purpose in fostering the development of poorer nations and deserved the support of all Member States to enable it to survive the current difficulties in order to help the developing and least developed countries to grow stronger economically and less burdensome to the developed countries.

The meeting rose at 1.05 p.m.

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Industrial Development Board

Fifteenth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 7 May 1996, at 3 p.m.

President: Mr. Seung Kon LEE (Republic of Korea)
later: Mr. CAMACHO (Colombia)

CONTENTS

Agenda item		*Paragraphs*
4	Policy framework of UNIDO — Organizational and staff structure *(continued)*	1 - 40
11	Personnel matters	41 - 56
6	Mobilization of financial resources for UNIDO programmes	57 - 77
7	UNIDO technical cooperation activities in 1995 including operational activities for development	

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The meeting was called to order at 3.10 p.m.

POLICY FRAMEWORK OF UNIDO — ORGANIZATIONAL AND STAFF STRUCTURE (*continued*) (IDB.15/14)

1. **Mr. SURYOKUSUMO** (Indonesia) commended the efforts of the Director-General and staff of UNIDO to further develop its areas of activity and to continue implementing the reform process aimed at achieving a more efficient and leaner organization. Indonesia was pleased to note that the necessary staff reductions had been carried out successfully, the workforce having been cut to 817, which would still enable the Organization to continue its technical programme delivery. It was gratified in particular by the merger of programmes and functions under Policy Coordination, leading to a reduction in Professional posts from 21 to 17. Not only would the new structure give the Director-General a more manageable span of control, but the new Policy Coordination office would be able to oversee the entire UNIDO management process and provide strategic input for the Director-General.

2. In the light of the reform process, his delegation welcomed the Director-General's launching of a special coordination initiative on industrial development within the United Nations system, in which several meetings with other United Nations specialized agencies had taken place with a view to exploring possible means of co-operation, in particular his recent meeting with the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD). His delegation also welcomed the establishment of annual consultations between UNIDO and UNCTAD aimed at achieving greater complementarity in their respective work programmes and sustainable industrialization and at integrating developing countries into the world trading system.

3. As the UNIDO reform process entered its final stage, his delegation hoped that the recruitment scheme would be completed by the end of the current year. In his view, the United Nations formula used by UNIDO as a basis for calculating informal desirable ranges for the geographical distribution of its staff in the Professional and higher categories duly reflected the principle of equitable geographical representation.

4. Finally, his delegation welcomed the establishment of national industrial advisory councils in various countries, comprising industrialists, representatives from industry-related non-governmental organizations and specialized industrial development organizations, with the aim of identifying specific demands of industry, encouraging funding of UNIDO programmes and promoting entrepreneurial achievements in industry.

5. **Mr. ARIZAGA** (Ecuador) noted that the painful process of staff reduction carried out as a result of the drastic cutback in the budget for the 1996-1997 biennium was nearing completion. His delegation was pleased to note the low number of non-voluntary separations and also the improvement in the ratio of General Service to Professional staff, which was an indication that the staff reduction exercise, although difficult, had been implemented in a more than satisfactory manner. It wished to express its appreciation both to those staff members who had departed and to those who remained for their valuable contribution, which had without doubt been beneficial to the developing countries.

6. The results of the reform to date had enabled the Organization to overcome the financial obstacle created by the withdrawal of its major contributor. The reform was not, however, an end in itself, but a means for UNIDO to better serve the needs of Member States. It was now necessary for the substantive programmes to take their proper place at the centre of attention. UNIDO should be given a breathing space and the opportunity to work on those programmes without being required to deal with new structural proposals and spend time explaining what it had done and intended to do. That did not mean that the Organization was not capable of further improvement, or that it should not report on its activities, but that, after many years of crisis, it should be allowed to pursue its essential function of promoting the industrial development of the countries that needed its services.

7. With regard to the remarks made by the representative of the Netherlands concerning a possible pooling of resources by UNIDO and UNCTAD, although Ecuador noted with satisfaction the joint communiqué recently signed by the two organizations with a view to intensifying consultations between them, it believed that the two agencies complemented one another and that the current final phase of the reform of UNIDO was not the right moment to engage in an examination of a possible merger between them.

8. His delegation wished to express its concern regarding the financial limitations and problems affecting the field representation programme. Ecuador had supported the new field representation framework as outlined in documents PBC.11/11 and IDB.14/25. The possible reduction to 20 offices for the coming biennium was far removed from the target figure of 50 offices referred to in various decisions and resolutions of the Board and of the Programme and Budget Committee (PBC). His delegation therefore wished to call upon those States in a position to do so to support the

programme, with a redistribution of resources by the Secretariat to that end. His delegation would closely follow developments in the matter, and looked forward to the outcome of the Secretariat's cost-benefit analysis to determine UNIDO's coverage of the countries concerned.

9. **Mr. WANG Baorong** (China) said that, after four years of constructive effort, UNIDO had now emerged from the most difficult period in its history. Thanks to the support of Member States, the reform process had at all times proceeded in the right direction, and its practical results would no doubt play a positive role in the general reforms of the United Nations system as a whole.

10. His delegation was pleased to note from the report of the Director-General (IDB.15/14) that the adoption of harsh yet effective measures had enabled UNIDO to better identify its priorities and areas of work and optimize its organizational and staff structure. The Organization would accordingly be able to play an even more effective role in promoting the industrial development of the developing countries and in contributing to social and economic activities aimed at promoting sustainable development and the protection of the environment. As the world's largest developing country, China had always taken part in UNIDO's activities and supported the Organization, particularly during its critical reform period, and would continue to do so in the future. It had always been able to rely on UNIDO's assistance and hoped that the Organization would be in a position to assume a still more active role in relation to all China's activities concerned with sustainable industrial development and environmental protection.

11. The withdrawal of some developed countries from UNIDO had naturally given rise to many problems, particularly in connection with the budget. His delegation was, however, convinced that, with the active support of the majority of the developed countries and of the developing countries, UNIDO would, once the reform exercise was completed, be in a position to play an even greater role on the basis of the specific advantages it possessed.

12. **Mr. MOHANTY** (India) said that the process of reform of UNIDO had to be viewed within the larger context of the reforms which the entire United Nations system was currently undergoing. UNIDO's reform was designed to meet the challenges faced by the Organization at a time of increasingly market-based, private-sector-led industrial development. The continued relevance of industrial development as a means of overcoming unemployment, combating poverty and providing a vehicle for sustainable development and growth underlined the importance of an organization such as UNIDO. His delegation was pleased to note that UNIDO had taken all those issues into consideration when formulating its development objectives, and India fully supported UNIDO's role as a global forum for industrial development issues and as a provider of specialized services in response to developing countries' needs.

13. His delegation noted with satisfaction the efforts made to meet the challenges recently faced by the Organization through a process of structural and financial reforms. In its restructuring process, UNIDO had introduced several innovative management practices and programme initiatives and had identified key priorities. However, the ultimate success of the reform would depend largely on the quality and expertise of the staff. The Organization should therefore recruit persons who had suitable experience in the identified thematic and sectoral areas and who had had exposure to the problems of industrialization in the developing countries, while still observing the principle of equitable geographical representation. In that connection, the suggestions made by the representative of Japan regarding recruitment and field experience deserved serious consideration by senior management.

14. With regard to the suggestion concerning the merging of the capabilities of UNIDO and UNCTAD, UNCTAD had primarily been a forum for discussion of trade-related development issues and had never had any role in providing technical assistance or specialized services in the field of industrial development. UNIDO, however, had played a vital supporting role in the industrialization of the developing countries, mainly through the provision of specialized services and technical assistance, and after the reform would no doubt continue to perform a very effective function in those areas. His delegation would therefore like to dissociate itself from any proposal to merge the Organization with any other specialized agency.

15. **Mr. BENMOUSSA** (Morocco), referring to the statement made by the representative of the Netherlands concerning the possibility of merging UNIDO and UNCTAD, said that, in order to set the question in its context, it was necessary to trace the development of the international economic order that had emerged since the foundation of the United Nations. That order had initially rested on three supporting bodies — IMF, IBRD and GATT, now WTO, subsequently joined by WFP, IDA and UNDP. Those last three bodies and the World Bank were headed by United States nationals, and WTO by a national of a European Union member. After the decolonization period and following the creation of the non-aligned movement, a further group of organizations had been established, departing somewhat from the philosophy prevailing when the initial institutions had been set up, namely, UNCTAD, UNIDO and the

regional commissions. All those bodies were headed by representatives from the developing world, which might possibly explain why those organizations were constantly under attack. A third stage in the development of the United Nations system had produced a number of organizations responsible for cooperation matters, of which UNICEF, UNEP and WIPO were headed by United States nationals. The head of WHO was a Japanese. Although FAO and the United Nations Population Fund were headed by nationals from developing countries, the developing world could be seen to be grossly underrepresented. That was one reason why it was hard to understand the withdrawal of the United States of America from UNIDO.

16. UNCTAD and UNIDO balanced each other within the overall multilateral system, and the agreement recently concluded between them demonstrated that the problems of coordination were not as serious as might be imagined. Indeed, it could be deduced from General Assembly resolution 47/199, which had introduced the country strategy idea, that coordination matters were being dealt with properly and that the issue was diminishing in importance, bearing in mind also the existing system of resident coordinators and the fact that UNDP had over 130 resident representatives across the world.

17. At its recent meeting in New York, the Group of 77 had agreed that UNIDO should continue to serve as the sole United Nations agency responsible for promoting industrial development in the developing countries and as a provider of integrated technical cooperation services to those countries. Moreover, the declaration recently adopted by the Heads of State and Government of the non-aligned movement had emphasized that UNIDO's importance stemmed from its capacity to deliver essential services in the field of industrial development, to conduct impartial and independent analyses of global, regional, national and sectoral industrial development issues and to provide valuable technological information and advice.

18. Turning to personnel issues, he said that the geographical representation of staff at UNIDO, as illustrated in table 4 of document IDB.15/4-PBC/AS.3/4 was one of the most inequitable in the United Nations system and it would perhaps be years before equitable geographical distribution was achieved. With regard to the question of separation, he asked what would happen to those staff members who, after separation, wished to remain in Austria. What would Austria's policy be towards them when they were no longer international civil servants? Regretting the distress caused to the families of such staff members, he expressed his sympathy to all those affected by the separation programme.

19. **Mr. BAJOWA** (Nigeria) commended the Director-General for pursuing the reform process. The reform was now in its final stage and the Organization could concentrate on its assigned mandate, which had not been eroded despite the rationalization of programmes and resources. The Organization would continue to be of particular relevance for Africa's industrialization and development. Any attempts to destabilize UNIDO or change its status could have a detrimental effect on the developing countries and should be resisted. His delegation had, however, noted the gross underrepresentation of Africa in the Secretariat and in field offices and hoped that the balance could be redressed without too much difficulty. Nigeria also hoped that the current budgetary constraints would not be allowed to unduly affect the technical assistance programme, which was of great significance to developing countries, particularly those in Africa. UNIDO deserved the support of all Member States, in political as well as financial terms and his Government had recently paid part of its assessed contribution to the Organization.

20. The Country Director (UCD) programme had significantly contributed to achieving the Organization's objectives, and deserved further support. He would encourage UNIDO to further strengthen its working relationship with other organizations in the United Nations system and welcomed its participation in the System-wide Special Initiative on Africa. The new programme initiatives, such as the Alliance for Africa's Industrialization, were also to be welcomed. However, care should be taken to ensure that the Alliance did not jeopardize other programmes already in existence, particularly the IDDA programme, and he would be grateful for further information on the subject.

21. Referring to document IDB.15/6, he said that a clearer indication of the various projects and activities covered by the IDDA programme should be given. His delegation endorsed the outlook for 1996-1997 and welcomed the six priority areas identified. Nigeria supported UNIDO's proposed meeting with the African Development Bank, ECA and OAU and would be in favour of further such inter-agency collaboration to promote industrial growth.

22. Nigeria itself had continued to pursue an industrialization programme in accordance with the general direction agreed for the second IDDA. Emphasis had been placed on private and public sector collaboration. His Government had also continued its privatization and commercialization programme. Thirty-six of the 111 companies covered by the programme were in the manufacturing sector and 15 such companies had now been privatized. In order to create an environment conducive to business his Government had abrogated laws that had impeded investment, established an

investment promotion commission and decided to enter into bilateral investment promotion and protection agreements with its trading partners. Nigeria had also set up an export processing zone, and approval had been given for the establishment of export processing factories in different locations in the country. He called for UNIDO's role in developing small and medium-sized enterprises in Nigeria to be strengthened and, welcoming the establishment of Investment Promotion Service Offices in developing countries, he expressed Nigeria's interest in having such an office.

23. Finally, he drew attention to his Government's efforts at democratization, which he hoped the international community would appreciate at their due worth.

24. **Mr. AL-ZEID** (Saudi Arabia), referring to resolution GC.6/Res.1, noted that many countries were still underrepresented in the Secretariat. While his delegation would encourage the Director-General to continue to implement the reforms, more opportunities should be given to staff members from developing countries.

25. **Mr. CARRIER** (President, UNIDO Staff Council) said that everybody involved in the reform process — the staff, administration and Member States — had to face up to their responsibilities. The staff had displayed great resilience, but their morale was dwindling. The administration had shown its readiness to reform, albeit at great human and financial cost. The response from Member States, however, had been varied: the major contributor had withdrawn, some countries balked at the idea of making regular payments, while others were simply not in a position to do so. The result was that those countries that were committed to the cause of industrial development bore a disproportionate burden. If all Member States gave firm support to the Organization, that would serve the twofold purpose of reducing the real suffering among the staff and removing the inequality between regular and irregular contributors to the budget. Industrialization's role as one of the most powerful engines of advancement and an effective force in the struggle against poverty had to be accepted.

26. Governments should not be guided by national self-interest when working to bring about change. In that connection, he drew attention to Article 11.4 of the Constitution, according to which the Director-General and staff were not to seek or receive instructions from any Government or any authority external to the Organization and Member States were not to seek to influence them in the discharge of their duties. If the basic principles of the relationship between the Organization and its Member States were heeded, a genuine partnership could be built. It should never be forgotten that membership of an international organization brought costs as well as benefits. If there was no clear vision of how UNIDO was to evolve in the future, it might well fall victim to political circumstance, and the only way forward to sustainable development might then be lost.

27. **Mr. DE MARIA Y CAMPOS** (Director-General) expressed his satisfaction with support shown by Member States in the debate for UNIDO's specialized role and their concern to improve its effectiveness. Since the recent General Conference session, the Organization had been facing the challenge of reform. While he had made every effort during the previous few months to keep Members and staff abreast of the progress made, it was clear that everyone could not always be kept informed of all events. The results obtained so far had been encouraging, and groups working on the reform of the United Nations system as a whole had considered that UNIDO's experience might be used to help other organizations facing similar challenges. Time was now essential to enable the reforms to be consolidated and a new working culture to take root at all levels.

28. He had been pleased to note that the high-impact programmes had been welcomed and appreciated the funding commitments that Member States were already making for these new initiatives.

29. UNIDO was developing its function as a global forum and as an adviser on the policy and the normative aspects of industrial development, and he would report to the IDB at its sixteenth session on the progress made. While he agreed with the representative of the Republic of Korea that UNIDO should not be too ambitious with regard to the global forum function, much of its current work already supported that role. His consultations with other international organizations and financial institutions had highlighted the need for technical support on industrial issues in an increasingly globalized and interdependent world. He welcomed the support for the initiatives regarding inter-agency cooperation, particularly the planned cooperation with UNCTAD. However, if cooperation was to be fruitful the mandates and functions of each agency should be clearly defined, and he had already sent documents to the heads of some specialized agencies indicating lines of demarcation in accordance with UNIDO's mandate. A meeting of organizations involved with trade and development issues, such as WTO and ITC, would be a step in the right direction, and he hoped that such a meeting would take place in the near future in Milan.

30. In response to the issues raised about Africa by the Chairman of the African Group, he confirmed that Africa was UNIDO's top priority. Efforts had been made to maintain and reinforce African programmes, which would be further strengthened, even though that was no

easy matter in view of the reduction in resources. He said that Africa had suffered least in the UNIDO reform process. He had also decided to establish a special task force, the Alliance for Africa's Industrialization, to ensure coordination at the highest level. The appointment of a senior adviser would greatly enhance the implementation of the IDDA programme.

31. Most of the least developed countries were in Africa and they would be given continuing support. But there were also least developed countries in Asia, and the current head of the Least Developed Countries unit was an Asian. The unit had been reinforced by an extra staff member from an African least developed country. There were many other colleagues in UNIDO who were ready to work for Africa, even though they did not come from the countries involved.

32. Considering that the Second Industrial Development Decade for Africa had been established some years previously, it was necessary to bear in mind both the changes that had occurred in the world since then and the desire of African countries to update the programme. As had been discussed with the African Ministers of Industry at Pretoria, the purpose of the Alliance was to update the Industrial Development Decade for Africa. It was hoped to mobilize additional financial resources, and various approaches were being explored. The idea was to establish a realistic approach, based on Africa's real needs and political will.

33. Another general issue was administration. Various suggestions had been put forward as to how UNIDO might be managed better. The Constitution was clear on the respective roles of the policy-making organs, the Secretariat and the Director-General, and he had endeavoured to work on that basis. It was important to consider areas for improvement at each level. Part of the reform process of UNIDO had been a very careful analysis of internal administration, which had involved in-house staff and external consultants in a very thorough exercise. Every managing director had areas of responsibility and over 100 UNIDO staff had participated in the exercise. Efforts had been made to bring about decentralization within the Organization through modern management methods and delegation of responsibilities.

34. As mentioned by the representative of Turkey, it was also necessary to consider field decentralization, which was referred to in the document on the reform of UNIDO. UNIDO had a working group on field representation that was investigating how not only people, but also decision-making, could be decentralized to the field. Progress was being made in areas such as the mobilization of financial resources, and decisions on small projects and certain items of expenditure. Furthermore, some countries were so large that it was necessary to decentralize within the country. He could not be more convinced of the need to reinforce UNIDO's representation in the field, but it would be difficult to do so with reduced resources and progress in that area would depend on the response of Member States. Some of the least developed countries were now financing their own offices. In reply to the comments made by the representative of Japan, he said that further consideration should be given to host country financing.

35. In reply to the comments made regarding the absence of investment promotion offices in Africa, he said that such offices had to be financed by the host country, by decision of the Board. In the particular case of Morocco, a proposal had been made whereby the IPS officers would be nationals and the question of international salaries would not be a problem. There would very soon be an office in Egypt, with the support of the Italian Government.

36. Another approach was to establish focal points, as had been done in many developing countries. It was a matter of finding the appropriate formula to ensure the full mobilization of support for investment in Africa and in any other developing region.

37. The question of consultation on the recruitment of staff to fill high-level posts had been raised by a number of Member States. According to the Constitution, the Director-General was responsible for finding the most capable individuals. He had been endeavouring to increase the representation of underrepresented regions and countries. That had not been and would not be an easy task, in view of the reduction in staff numbers. That was why new desirable ranges of representation had been submitted to Member States. In the UNIDO reform process, he had taken particular care, with regard to non-voluntary separations, to maintain African representation.

38. He announced that the job profiles for the Managing Director posts that were open for recruitment would be made available before the end of the session.

39. With respect to the extension and termination of staff appointments, there was no constitutional requirement for the Director-General to consult Member States, and that was not the practice in other United Nations agencies. Any departure from that policy would cast doubt on the responsibility and accountability of the staff and the Director-General and risked over-politicizing an organization that, more than others, had to be a technical and flexible one. In the case of appointments of Managing Director, he would endeavour to follow a transparent policy of consultation, but it was important to distinguish between the responsibilities of the Director-General and those of the policy-making organs.

40. *Mr. Camacho (Colombia) took the Chair.*

PERSONNEL MATTERS

41. **Mr. van RAALTE** (Managing Director, Division of Administration), introducing the report by the Director-General (IDB.15/4), said that chapter I described progress in implementation of the personnel separation scheme, on which the General Conference had requested a report. The very first measures had been undertaken in 1995, with the non-extension of short-term appointments and fixed-term appointments of less than one year. Such non-extensions, together with natural attrition, had affected some 60 staff members. The second and voluntary phase of the programme had generated 144 requests for separation, 16 of which had been refused by the Director-General in the interests of the Organization. The remaining 128 staff members had been granted agreed separations. The third and current phase of the staff reduction, the non-voluntary phase, was still in progress, but was almost complete. That phase was administered by the Advisory Group on Human Resource Planning, with representatives of management and staff. The Committee had looked at 40 staff members whose posts were affected, to see whether they could be reassigned. Sixteen had been redeployed. The Committee should be complimented on its work, which had involved more than 20 meetings.

42. Nine women Professionals had opted for agreed termination, but there had been no significant change in women's representation at the Professional level. The same applied to geographical representation, the percentages of the different groups of countries having changed very little since the staff reduction. The ratio of General Service to Professional posts, excluding the Buildings Management Service, had fallen from 1.4 to 1 in December 1995 to 1.2 to 1 at present, a significant improvement.

43. Individual counselling and workshops had been offered to staff members separating from UNIDO, to help them deal with the emotional and practical consequences of losing their jobs. Quite a few seminars had already been organized and others were scheduled. Twelve staff members had found employment in other United Nations organizations or agencies, including peacekeeping.

44. Chapter II of the report contained information on the composition of the Secretariat, including the informal desirable ranges of representation. In keeping with Article 11.5 of the Constitution, UNIDO paid due regard to the importance of recruiting staff on a wide and equitable geographical basis. A number of recent factors had had an effect on the informal ranges. They included the significant decrease in the number of posts subject to geographical distribution, from 400 to 300, an increase in the number of Member States to 170, including two seats reserved for future memberships, and changes in the Organization's contribution scale. Although the net effect had been minimal for most countries, it had meant a decrease in the desirable range in particular for the larger contributors.

45. Chapter III dealt with amendments to the Staff Regulations and Rules. As provided in Article 11.5 of the Constitution, UNIDO ensured that the conditions of service for its staff complied with the resolutions adopted by the United Nations General Assembly on the recommendation of the International Civil Service Commission. The chapter also contained information on adjustments, amendments and deletions to various schedules and appendices to the Staff Rules, emanating from General Assembly resolutions, which had already been implemented and on amendments to the Staff Rules necessitated by the introduction of the new staff performance evaluation system on 1 January 1996, which linked within-grade step increases to satisfactory performance.

46. **Mr. HOJJAT** (Islamic Republic of Iran) said that, while grateful for the information in document IDB.15/4, he wished to stress the need for full compliance with paragraph (d) of resolution GC.6/Dec.14 on cost-effectiveness, as well as the essential points covered by the report of the External Auditor.

47. Paragraph 1 of decision GC.6/Dec.11 had requested the Director-General to present information on "desirable ranges of representation" of Member States. For the 123 States in lists A and C, the range effective from 1 January 1997 was supposed to be 137-260 staff, whereas in fact only 102 staff from 55 States had been employed as of 1 April 1996. One other region was represented by more staff than its desirable range, and another was at the midpoint of its range. He therefore expected that, in conformity with Article 11.5 of the UNIDO Constitution and with previous requests made in resolutions by the General Conference and the Board, in documents GC.6/Res.1 (paragraph 5 (b)) and IDB.12/Dec.9 (paragraph (f)), as well as with resolution 42/220 of the United Nations General Assembly, proper steps be taken by the Director-General to rectify the situation.

48. The number of staff from developing countries in lists A and C had actually declined since 31 December 1995, whereas the number from countries with more than the desirable range of posts had increased. Considering the explicit principle in General Assembly resolution 42/220 to the effect that "no posts should be considered the exclusive preserve of any Member State or group of States", as well as para-

graphs 3 and 4 of Article 11 of the UNIDO Constitution, his delegation asked the Secretariat to halt the reduction of staff from developing countries. If posts had to be eliminated, the services of the staff in question should be utilized elsewhere. Action should be taken to distribute posts held by nationals of countries that were not UNIDO members among developing countries, and the developing countries should be asked to make nominations for the posts in question. Due attention should be paid to the guidelines in decision IDB.13/Dec.2, paragraph (e), regarding Managing Director posts.

49. **Mr. KASEMSARN** (Observer for Thailand) said that African and Asian States were underrepresented in the Secretariat at the Professional and higher levels, the number of staff from such States being below the minimum prescribed under the new United Nations formula, which took membership, population and contributions into account. He requested the Director-General to use the figure of 42.85 per cent as a floor percentage in any future adjustments of geographical representation.

50. The presence of only four staff members at the Professional level in the Asian and Pacific Bureau to service 24 Member States would adversely affect the implementation of programmes. He therefore requested the Director-General to appoint at least two more staff at the Professional level, either by recruitment or redeployment, in line with the approved 1996-1997 programme and budget levels, and also to provide adequate General Service support.

51. **Mr. VAN RAALTE** (Managing Director, Division of Administration) agreed with the representatives of the Islamic Republic of Iran and Thailand that groups A and C were underrepresented on the staff.

52. He pointed out that the administration had very little control over the voluntary phase of staff reduction, except that the Director-General could refuse requests for separation from staff members, which occurred in only a few cases. There had been hardly any involuntary separations of staff members from regions A and C. A serious effort would be made to select candidates from those areas to fill the small number of vacancies that would be available during the remainder of 1996 and in 1997. He invited Governments to help in finding suitable candidates.

53. **Mr. DE MARIA Y CAMPOS** (Director-General) said that in the recent past there had not been much scope for remedying imbalances in geographical distribution by means of recruitment. The non-payment of assessed contributions by the United States had made it necessary to keep an important number of posts vacant for financial reasons. He hoped that the situation would improve by the end of 1996.

54. The Bureaux had different functions from the earlier area programme units and were engaged in formulating overall programmes in coordination with the field representation. The underrepresentation of Asia was due to voluntary separations and natural attrition.

55. He invited proposals from Governments for candidates from underrepresented regions to fill a number of posts that had been advertised, some of which were highly technical in nature.

56. He assured members of the Board that he shared their desire to see the situation rectified.

MOBILIZATION OF FINANCIAL RESOURCES FOR UNIDO PROGRAMMES (IDB.15/7)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1995 INCLUDING OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.15/13; IDB.15/CRP.5)

57. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division) said that UNIDO's response to the reduction in UNDP funding from $88.7 million in 1990 to $20.8 million in 1995 had been to diversify its portfolio for financing programmes and projects. Thanks to the contributions of Member States, the level of the Industrial Development Fund had been maintained, and efforts had been made to secure contributions from a wider range of ministries and to increase the share of contributions in convertible currencies. A similar effort to expand the freely programmable part of the IDF was desirable.

58. In line with the wishes of Member States to engage in activities with multilateral financing organizations for development, the Director-General had signed a memorandum of understanding with the President of the Inter-American Development Bank, which would enable UNIDO to implement technical cooperation financed by the Bank. Similar action was shortly to be taken with the World Bank, the African Development Bank and the European Union.

59. In addition, other global funds were being mobilized successfully, e.g. for industrial technical cooperation activities such as those related to the Multilateral Fund for the Montreal Protocol for the benefit of Member States. In the priority area of agro-industries, UNIDO had programmed $11 million at present under the Common Fund for Commodities. A portfolio of projects totalling $15 million was under discussion with the Global Environment Facility.

60. In order to supplement this diversification of financial resources it was of course necessary to ensure

their best integration into the programming of activities, which had been done with the establishment of the Country Programmes and Funds Mobilization Division. Such synergy was also applied in the field in order to offer better chances for programme financing at the request of Member States.

61. More flexible financial modalities were also necessary to enable UNIDO to adapt rapidly and to follow up new opportunities discovered. Among the efforts made to improve services in that context was the use of the UNIDO home page in the World Wide Web of Internet to present information on openings for technical cooperation.

62. He emphasized the importance to UNIDO of closer contact with the missions of Member States, whose ideas and suggestions would be followed with the greatest attention.

63. **Mr. LÜTKENHORST** (Secretariat), introducing the note by the Director-General on operational activities for development (IDB.15/13), said that UNIDO had been an active participant in system-wide discussions in the United Nations on all aspects of operational activities for development. UNIDO fully subscribed to the principles formulated in General Assembly resolution 50/120, such as the importance of the programme approach and national execution, the need for simplification and harmonization of rules and procedures and the desirability of using common field premises. A new memorandum of understanding with UNDP could take effect very soon.

64. Document IDB.15/13 drew attention to four aspects of UNIDO's efforts in capacity-building through the programme approach and national execution: the introduction of seven thematic priorities; the development of five high-impact programmes; UNIDO's increasing involvement in national execution as an implementing agency, the value of such projects, in the case of UNDP funding, now being equal to that of projects executed by UNIDO itself; and UNIDO's participation in system-wide efforts to assess the impact of the national execution modality and the preconditions for its successful application.

65. The General Conference had requested in resolution GC.6/Res.2 that the Annual Report for 1995 should be submitted to the Board at its sixteenth session, in November 1996, and the Report would therefore be issued somewhat later than usual. Conference Room Paper 5 accordingly provided advance information on UNIDO's technical cooperation delivery in 1995. It showed that in 1995 all aggregate technical cooperation figures had increased over the 1994 level.

66. A new system had been introduced for the coding of technical cooperation projects, which would make it possible, as of 1996, to report on a number of additional aspects, including the distribution of technical cooperation activities among the seven thematic priorities.

67. **Mr. AL-HOMIDI** (Qatar) hoped that in future documents would be made available in all working languages at an earlier date.

68. His delegation stressed the importance it attached to General Assembly resolutions 47/199 and 50/120 regarding development activities within the United Nations system. He was gratified to note UNIDO's action in finding new sources of finance and the new policy for more structured contacts with donors and lending agencies, using both the United Nations system and the private sector. That would reduce dependence on UNDP.

69. The Industrial Development Fund was important as the main source of extrabudgetary funding, and he called on all Governments and multilateral funding agencies to increase their contributions to it, especially in hard currency.

70. The identification of priority sectors by UNIDO could lead to more effective mobilization of funds. Contacts with all donors would help to secure their participation in the structuring of programme activities and increase their involvement in the implementation of UNIDO programmes. Priority should be given to Africa and the LDCs, especially in the agro-food sector.

71. He was confident that the efforts made by UNIDO to streamline its activities and reform its structure would bear fruit in the not too distant future, so that its goals could be achieved and priority needs for development met, through close cooperation between all departments of the Organization and with the private sector.

72. **Mr. NEGRU** (Romania) said that the approach based on a country strategy and integrated programmes had been adopted for the Work Programme approved by the Joint UNIDO-Romania Centre in October 1995. The projects included in the programme met some of the selection criteria established by UNIDO: they represented priorities, they focused on specific support services and they were of a nature to benefit from UNIDO's expertise in the industrial field. Conditions in the countries of Central and Eastern Europe had changed: rather than general sectoral assistance, the need was now for specific assistance to companies in dealing with problems related to environmental protection or the improvement of performance in a market economy.

73. The Romanian economy had grown substantially over the past year, in both the industrial and the agricultural sectors, while inflation and unemployment were declining. A mass privatization process involving the free transfer of property in former State-owned companies to more than 89 per cent of the adult population had been completed on 30 April 1996, and large packages of the remaining shares were being sold to strategic investors. The economic environment was thus changing completely, and UNIDO needed to adapt to the new situation, helping companies deal with problems such as increased competition, adaptation of obsolete installations to environmental regulations and the general lack of investment capital. With those goals in mind, Romania had tried to include in the Work Programme proposals for technical assistance projects identified together with the end-users. One of the most important had related to improvement of the operation of a large lead and zinc smelting company, financed through a trust fund provided by the Government of Japan. Another concerned the environmental problems encountered by the country's largest antibiotics manufacturer, leading to the preparation of a technical guideline for waste water treatment. A third project had related to risk management in petrochemical installations, and the good results obtained might lead to the organization of a regional seminar on the subject. He congratulated UNIDO on the quality of its consultants and project managers.

74. Very good results had been obtained by the United Nations Centre for the Promotion of Small and Medium Enterprises in providing counselling and training services for private sector entrepreneurs.

75. His country supported the Secretariat's efforts to improve the monitoring and evaluation of UNIDO projects and had cooperated in an assessment made by the United Kingdom Government, which it believed would confirm the importance of UNIDO's role.

76. While 1995 had been a good year, the situation with regard to the promotion of new projects was disappointing. Apart from two projects financed by the Multilateral Fund of the Montreal Protocol, not a single project had been approved by UNIDO for more than one year. The Director-General and the Secretariat should find ways to ensure the promotion of priority projects in the months to come, so that the good cooperation developed between Romania and UNIDO in past years would continue.

77. He hoped that the discussions at the current session would help to identify measures which would allow the Organization to overcome its difficulties and continue to play its role in the sustainable industrial development of the world.

The meeting rose at 6.10 p.m.

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COLLECTION

Industrial Development Board

Fifteenth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 8 May 1996, at 10 a.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
6	Mobilization of financial resources for UNIDO programmes (*continued*)	1 - 56
7	UNIDO technical cooperation activities in 1995 including operational activities for development (*continued*)	
8	Second Industrial Development Decade for Africa	57 - 125
9	Industrialization of the least developed countries	
10	Field representation	

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The meeting was called to order at 10.15 a.m.

MOBILIZATION OF FINANCIAL RESOURCES FOR UNIDO PROGRAMMES (*continued*)
(IDB.15/7)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1995 INCLUDING OPERATIONAL ACTIVITIES FOR DEVELOPMENT (*continued*)
(IDB.15/13; IDB.15/CRP.5)

1. **Mr. HOSSEINZADEH** (Islamic Republic of Iran) said that it was well known that the investments made in many developing countries to create an appropriate infrastructure had failed due to lack of technical know-how. Those countries were now seeking an efficient mechanism to rehabilitate and modernize the capacities earlier established in order to participate successfully in the globalization process. In that connection UNIDO, by virtue of its mandate, and the functions set forth in Article 2 of its Constitution, had an important role to play, particularly in the area of capacity-building and renovation of economic investments.

2. His delegation supported the high-impact integrated programmes listed in chapter IV of document IDB.15/13 which might be useful for capacity-building, as well as UNIDO's build-operate-transfer activities. It would also encourage the Organization to increase its efforts to produce appropriate guidelines on the development, negotiation and implementation of procedures for involving the private sector of developing countries, both as beneficiary and counterpart, in those activities, in accordance with criterion (f) in paragraph 10 of that document.

3. His delegation appreciated the programme involving new technology for the abatement of global mercury pollution but, in view of the activities of such organizations as UNEP and FAO in the area of pesticides and hazardous chemicals, it wondered why UNIDO had not developed a comprehensive programme to address all hazardous and restricted chemicals or involved itself in joint programmes with UNEP and FAO, such as UNEP's programme on ozone-depleting substances within the framework of the Montreal Protocol.

4. **Mr. KOC** (Turkey) stressed his Government's continuing interest in UNIDO's project to establish cleaner industrial production centres for the Mediterranean and Black Sea areas. It had remained in constant touch with the Secretariat on that issue, conveying its views on and approaches to the establishment of such centres, and had already indicated that the Ministry of Environment and the Turkish Scientific and Research Council would be the points of contact in Turkey.

5. Turkey remained prepared to host such a centre, which would be established in cooperation with UNIDO and in line with resolution GC.6/Res.7.

6. For over 20 years the Turkish Government had organized annual in-plant group training courses in cooperation with UNIDO, within the framework of technical cooperation and human resource development. Despite budgetary difficulties, the Turkish Government had always completed its contribution to IDF for those courses on time. It was prepared to make its 1996 contribution as usual but had received an indication from the Secretariat of a certain unwillingness on the part of UNIDO to make its contribution. Those courses had largely benefited LDCs and had contributed significantly to the know-how, expertise and technical capacity of the participants from such countries; that in turn had been useful for the implementation of UNIDO's tasks in that area. It was therefore to be hoped that UNIDO would remain willing to play its part in the implementation of the training programmes in Turkey.

7. The project jointly initiated with UNIDO on the establishment of a hydrogen energy technology centre in Turkey had proceeded satisfactorily. An expert group meeting was planned for the end of May 1996 with the participation of experts from various countries and from UNIDO, to review the feasibility study on the establishment of the centre, analyse its main functions and programme and make the necessary recommendations.

8. **Mr. AL-FARDAN** (United Arab Emirates) said that the Board was meeting at a critical time in the life of the Organization because of its severe financial constraints. The Organization's future depended upon its ability to overcome those difficulties and on being able to count on the political will and determination of Member States to enable it to accomplish its difficult task. The United Arab Emirates had supported UNIDO politically and financially because it believed in the Organization's mission to industrialize developing countries and it reaffirmed its commitment to and support for UNIDO.

9. He noted with satisfaction the Director-General's proposals in document IDB.15/7 calling for the development of different modalities of funds mobilization and the expansion of contacts with industrial enterprises with a view to mobilizing funds in support of UNIDO activities and expressed the hope that the special programme for the industrial development of the Arab region was

also a focus of the Organization's attention and that there was close linkage between UNIDO and the developing countries in matters involving technical cooperation, given the industrial development requirements of those countries.

10. His delegation had noted a certain degree of pessimism in document IDB.15/12 regarding field representation, undoubtedly due to the Organization's financial difficulties; while it understood those difficulties, it believed that the field offices played an important role in developing cooperation in developing countries. It therefore called for more field offices in developing countries, since many host countries were in a position to help cover the expenses thereby incurred. Associate experts should be assigned to Arab countries where no field representation was established.

11. His delegation endorsed the recommendations of the Asian and African Groups with regard to the industrialization of the least developed countries and the Second Industrial Development Decade for Africa.

12. **Mrs. LAJOUS** (Mexico) said that, in analysing the problem of the mobilization of financial resources, the Board should bear in mind the significant decline in the role of the UNDP indicative planning figure (IPF) resources in recent years as the central fund for technical cooperation in the United Nations system. For UNIDO, that source of funds had decreased, according to document IDB.15/7, from over 55 per cent of technical cooperation delivery in 1990 to 19.2 per cent in 1995.

13. Her delegation had therefore noted with satisfaction the Organization's efforts to test innovative funding mechanisms and explore other sources of funding. The agreement to be signed in the course of 1996 with the European Union was particularly important in that regard. The Director-General should also continue his discussions with the various regional banks. The contacts with the Multilateral Fund for the Montreal Protocol were of special interest, as Mexico attached priority to the area concerned.

14. In order that Member States might be kept informed of the amounts and use of extrabudgetary resources, a document should be prepared regarding agreements signed with international financial institutions, the projects approved and the amounts involved.

15. **Mr. SOROUR** (Egypt) said that his delegation fully supported UNIDO's efforts to mobilize financial resources for its programmes and to cooperate further with large international enterprises to mobilize resources on a regular basis.

16. It specifically welcomed the efforts to speed up negotiations with the Common Fund for Commodities and to develop projects for financing from the Global Environment Facility, as well as cooperation with UNICEF. It was to be hoped that the negotiations in those areas would be as successful as the contacts with the Multilateral Fund for the Montreal Protocol had been. In that connection, UNIDO should accelerate its negotiations with the African Development Fund in the context of efforts to promote the industrialization of the African continent, bearing in mind the linkages between agriculture and industry.

17. The Egyptian delegation welcomed UNIDO's new policy within the overall restructuring effort of integrating resource identification in the programme development phase. It hoped that the required results would be achieved and that the Board would receive a report on the subject at future sessions, together with reports on any projects developed and agreements concluded.

18. **Mr. BERESNEV** (Russian Federation) said that collaboration between Russia and UNIDO had developed fairly vigorously during the period just elapsed. The number of projects undertaken jointly had increased and several promising projects were scheduled to start up in the near future. In general, therefore, there were good prospects for attaining a new, higher level of quality in cooperation activities.

19. Russia attached particular importance to the following aspects of its collaboration with UNIDO: industrial restructuring, especially with regard to privatization and the development of competitive and innovative small and medium enterprises; investment and technology promotion; the establishment of environmentally clean industries; and the formulation of industrial strategy, primarily at the regional level.

20. His delegation was particularly interested in UNIDO's activities in the sphere of technical cooperation and, most specifically, assistance provided to small and medium enterprises, a sector of the economy that was developing rapidly in Russia and was therefore a focus for the Government's attention and support.

21. An important aspect of the Government's support of small and medium business was the establishment of an enterprise information system in Russia. During the 1994-1995 biennium, regional information centres had been set up and brought into operation in 15 regions of Russia and fully installed in a further 21 regions, while organizational and planning work was under way in 14 regions to set up such centres. The Federal

Information Analysis Centre had been established and was operational. One of the most important elements of the next phase in the development of that system was to publicize the new technologies available for enterprise, together with new goods and services. The full-scale operation of the system was expected to greatly facilitate the entry of Russian entrepreneurs into the world market, make Russian technology accessible to foreign as well as national users and enable Russian organizations to take a more active part in the international industrial co-operation programmes undertaken by UNIDO.

22. The establishment of such a system in Russia had made it possible to take advantage of UNIDO experience in the organization of a subcontracting system in a number of countries, the aim of such a system being to enable Russia to evolve a civilized market for industrial cooperation in the country and to establish a mechanism for involving a wide range of Russian companies in implementing State programmes. The experience gained by UNIDO in setting up subcontracting companies in Poland, Slovakia, Hungary, Cuba and elsewhere was instructive in that regard, and Russia was counting on UNIDO's assistance in meeting that complex challenge.

23. His delegation welcomed the Secretariat's work with regard to technology development and transfer and was in favour of reinforcing UNIDO's role in efforts to strengthen mutually advantageous links between developing and transitional countries with respect to the introduction of advanced technologies.

24. His country had considerable experience and potential in research and development in various areas of science and technology, many of which were also of interest to developing countries. Russia was ready to contribute towards making sustainable development a reality by transferring technologies to such countries. It was participating actively in all UNIDO forums devoted to such issues and regarded the organization of "Intechmarts" as having particular practical value. In that regard, Russia was pleased to note that an Intechmart on biotechnology was to be held in autumn 1997.

25. **Mr. H.-K. LEE** (Republic of Korea) said that his delegation had noted the Secretariat's efforts to mobilize financial resources from various sources and welcomed in particular its initiatives to strengthen cooperation with the financial institutions, including the agreement signed in February 1996 with the Inter-American Development Bank. Given that the high quality of UNIDO services was capable of attracting stronger donor interest, he suggested that the high-impact programme approach based on the thematic priorities should continue to be strengthened in the future. Flexibility in the expenditure of financial resources was also essential if the urgent needs of Member States were to be met effectively. His delegation therefore supported UNIDO's aim of bringing the general-purpose convertible segment up to 20 per cent of IDF.

26. His delegation commended the Secretariat on its continuing efforts to strengthen its technical cooperation activities by providing industrial- and technology-related consultancy services as well as technical training for human resources. It also supported UNIDO's decision to take into account such important elements as priority allocation of financial resources, division of responsibility, monitoring and evaluation in order to enhance the efficiency and effectiveness of its technical co-operation services. In view of the limited financial resources for technical cooperation, the decision to give priority to Africa and LDCs was natural.

27. Inter-agency cooperation was also essential for maximizing the effect of technical cooperation activities by avoiding duplication between the agencies concerned. In that connection, his delegation welcomed the United Nations system-wide Special Initiative on Africa launched in March 1996 by the United Nations Secretary-General, as well as UNIDO's supplementary Alliance for Africa's Industrialization. The monitoring and evaluation of technical cooperation activities should be constantly improved, and they should be independent of programme development and implementation considerations. The recent move of the Quality Assurance and Evaluation Branch to general management might strengthen the independent nature of its function.

28. In the context of economic and technical cooperation among developing countries (ECDC/TCDC), the Republic of Korea was prepared to share its experience of industrialization with other developing countries, and to that end the Korean International Cooperation Agency (KOICA) had recently signed a cooperative arrangement with UNIDO for conducting regional workshops on industrial project policies and strategies in developing countries. KOICA planned to hold more regional workshops in the course of 1996 in close cooperation with UNIDO.

29. **Mr. DASQUE** (France) said that his country welcomed the efforts of the relevant services of the Organization to seek new sources of financing, mainly from the international institutions and the private sector, and fully approved the arrangements negotiated with the Montreal Protocol, the World Bank, the Inter-American Development Bank, the Common Fund for Commodities and the Global Environment Facility. Those arrangements would enable the Organization to vary its project portfolio, which was no longer based exclusively on cooperation through UNDP.

30. The idea of converting debts through the financing of priority development projects in a number of countries was a good one in view of the impact of the debt burden on Latin America. His delegation would also encourage the Secretariat to strengthen its links with the private sector in order to increase extrabudgetary funding, and supported the Secretariat's initiative to set up a group of advisers in which the private sector was represented. Cooperation with the private sector would enable the Organization to further develop and strengthen complementarities.

31. The French delegation attached much importance to the item under discussion and believed that the Secretariat should endeavour to ensure equal access to all enterprises wishing to cooperate with UNIDO and see that there was no discrimination against or dominance by any particular industrial group.

32. **Mr. MOHANTY** (India) commended the Secretariat on its comprehensive and informative document on technical cooperation activities in 1995, including operational activities for development (IDB.15/CRP.5). It had been heartening to note that technical cooperation expenditure in 1995 had been higher than in 1994, although it was far below the levels achieved in 1992 and 1993. In view of the shortfall in budgetary resources, the real challenge facing the Organization was to ensure that core activities and programmes were not diluted. Among other activities and programmes, the key areas would be the transfer of technology at fair and affordable prices, and investment promotion. The time had perhaps also come for UNIDO to look into the desirability and feasibility of promoting appropriate industrial policies at the national, regional and global levels.

33. His delegation had noted with satisfaction that the highest expenditure, accounting for 28 per cent of the whole, had been in the area of investment in technology promotion, in which UNIDO was currently associated with a major programme in India.

34. Under the aegis of that programme three major events had been organized in the past two years, the most recent, Intechmart 96, being particularly successful, with more than 600 Indian and foreign companies attending and business in excess of $600 million being transacted. Intechmart had provided an opportunity for Indian small and medium enterprises to sell their technology to their counterparts from other developing countries for the first time. In view of the success of that programme, the authorities hoped to establish an institutional framework as a follow-up to those events and for the organization of future events. The UNIDO Country Director's office would be closely associated in that endeavour. The Indian delegation believed that there was a clear need to strengthen the office by including areas such as investment and technology promotion in the mandate of UCD activities.

35. His delegation appreciated the efforts made by UNIDO in the Asia-Pacific region but had been disappointed to find that there had been a decline in the value of technical cooperation in that region of 11 per cent in 1994-1995 over previous years. It was particularly important that the Special Programme for Asia and the Pacific should be allocated adequate budgetary resources.

36. An India-UNIDO working group had been set up in April 1994 and had made excellent progress. Two important activities, the development of small and medium enterprises and the establishment of an International Centre for the Advancement of Manufacturing Technologies (ICAMT) had been initiated. Funding for small and medium enterprise cluster was being provided by UNDP while the Indian Government had provided trust funds for ICAMT. At a time when UNIDO was facing grave financial problems, the working group arrangement might be a good mechanism for mobilizing resources to fund important activities, and UNIDO might consider entering into similar agreements with other countries.

37. The impact of the Organization's sincere and strenuous efforts to retain its relevance in the area of industrial development at a global level was evident. His delegation had been pleased to note the 10 per cent increase in project delivery in 1995, the 20 per cent increase in donor approval of projects and renewed donor confidence, as evidenced by the 15 per cent upswing in the first quarter membership payments for 1996 as compared with the previous year. Those trends were welcome and he called upon the Organization and Member States to commit themselves to sustaining those levels.

38. **Mr. EFFENDI** (Indonesia) said that the report contained in document IDB.15/7 provided useful information for the mobilization of funds. Though development of new and regular sources of funding was a time-consuming process, the initiatives undertaken in the past two years had yielded results at a time when resources continued to decline. An initiative to develop contacts with large international enterprises should nevertheless be encouraged, as it would further contribute to sources of funding. His delegation fully supported the efforts to engage in further consultations with Governments: such consultations could result in higher quality of proposals and better participation, which in turn would induce stronger interest on the part of donors. For such consultations to be most effective, they should be coordinated throughout the United

Nations system. The Director-General should continue his other efforts to secure sources of financing.

39. Turning to technical cooperation activities in 1995, he noted with satisfaction that UNIDO had been contributing to the formulation of the country strategy notes required for national capacity-building among Member States. As far as UNIDO's technical cooperation with Indonesia was concerned, his Government, in cooperation with the UCD office in Jakarta, had been preparing intensively for the implementation of programmes proposed by the UNIDO mission that had visited the country very recently. The objective of the programmes was to increase Indonesia's competitive edge in industry and trade. In addition, the Government had concluded an agreement with UNIDO on cooperation in broad areas of industrial development.

40. **Mrs. BATACLAN** (Philippines) said that her delegation welcomed the Secretariat's measures to implement the General Conference resolution requesting it to seek new sources of finance for its technical cooperation activities. It endorsed in particular the thrust of the recommendation in paragraph 14 (d) of document IDB.15/7.

41. The thematic priorities of UNIDO were general and comprehensive enough to cover the priorities of Member States. In future, some thought might be given to the possibility of pledging for the thematic priorities and the overall IDF target of $50 million per year.

42. Her delegation would strongly encourage the Director-General to explore further the potentials of ECDC/TCDC and the very important approach of triangular cooperation which was being taken up throughout the United Nations system as well as on a bilateral and multilateral basis.

43. The Philippine delegation fully endorsed the remarks of France concerning the tapping of debt to mobilize resources for industrialization and at the same time address the burdensome debt-servicing problems of many developing countries.

44. Turning to document IDB.15/13 on operational activities for development, her delegation endorsed the ideas put forward and lessons learned, particularly those referred to in paragraph 13.

45. On paragraph 8 of the document, she wished to know what was meant by the statement that the new approach towards project cycle management being introduced as part of the reform process of UNIDO might result in changes to the concept underlying country support strategies and to their specific formulation.

46. **Mr. DE MARIA Y CAMPOS** (Director-General) said that funds mobilization would be fundamental for much of UNIDO's future work, including the new initiatives for Africa, the least developed countries and South-South cooperation. It would be useful to set up a working group enabling the Secretariat to receive guidance from Member States on how to improve the mobilization of funds.

47. Mr. Deroy and Mr. Luetkenhorst would reply to the other questions raised during the debate.

48. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), referring particularly to agenda item 6, said, in response to the comments of the representative of Mexico concerning the need for a document on agreements between UNIDO and other institutions, that he would see no problem in keeping Member States up to date on such agreements.

49. Regarding the proposed agreement with the African Development Bank, he referred to the Director-General's recent travel to Africa and said that efforts were being made to finalize an agreement similar to the one with the Inter-American Development Bank. In that connection the Secretariat would welcome the support of Member States in the region.

50. On the point raised by the French representative concerning debt conversion, he said that that field was being studied and, at the request of individual countries, the Secretariat was working on the issue in cooperation with the World Bank. Regarding the contacts established with industrialists, he said that a group of leading industrialists were interested in the work of UNIDO. There were also national committees for UNIDO in a number of countries, in addition to the joint committees established with certain countries.

51. In reply to the comments of the Romanian representative, he said that he would like to draw attention to the document made available at the meeting held on 2 May regarding Europe and the newly independent States of the former Soviet Union, indicating a substantial number of projects and a substantial volume of technical cooperation for the benefit of Romania that was ongoing or at an early stage of development and there were good prospects for funds mobilization. The meetings of the Joint Committee were held annually. Since the last meeting had been held in September 1995, it seemed reasonable to schedule the next one for September 1996.

52. **Mr. LUETKENHORST** (Secretariat), referring to agenda item 7, said that the representative of the Islamic Republic of Iran had asked why there was no cooperation with FAO or UNEP on the high-impact programme

on new technologies for the abatement of mercury pollution. He said that neither organization had any technical expertise available of relevance to that particular programme. The only body that did have such expertise was the United Nations Department for Development Support and Management Services in New York, which had been consulted. Some Asian countries had expressed interest in the high-impact programme, the first phase of which would be implemented in Africa.

53. In response to another point raised by the representative of the Islamic Republic of Iran the previous day, he said that involvement by firms in developing countries in the implementation and execution of UNIDO projects had been increased successfully. UNIDO had awarded six subcontracts for technical cooperation to the Islamic Republic of Iran in 1995, amounting to some $2.8 million. In the first four months of 1996, three subcontracts had been issued to Iranian firms for a total value of more than $100,000.

54. The question of what UNIDO was doing in the field of hazardous and restricted chemicals would be addressed in a detailed briefing by his technical colleagues. UNIDO cooperated intensively with other international agencies including UNEP, FAO, ILO, WHO and OECD in a number of programmes in that area.

55. The representative of Turkey had referred to indications of an unwillingness on the part of UNIDO to continue in-plant group training courses. UNIDO, aware of the great benefit of those courses, had no intention of discontinuing them, but was now assessing their impact in the different industrial subsectors. One such review had been carried out recently in Africa on Turkey's programme of vegetable and food processing, with positive results. The intention was to bring the courses into line with the newly established areas of programme focus, and partial reorientation of some of the courses might be needed.

56. Replying to the question from the representative of the Philippines on paragraph 8 of document IDB.15/13 concerning country support strategies, he explained that, in the new bulletin issued by the Director-General on guidelines for the management of UNIDO's services, a significant new approach was proposed: in programming future technical cooperation, UNIDO staff members would go out to recipient countries, present the seven thematic priorities and try to match UNIDO's expertise to the priority demands of the recipient countries. Matching expertise with country priorities would be the basis for UNIDO's country support strategy in the future. Concern had been expressed in the past that country support strategies were too analytical and not practical enough.

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.15/6; IDB.15/CRP.2)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (IDB.15/19)

FIELD REPRESENTATION (IDB.15/2 and Corr.1)

57. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division) said that the importance of the Second Industrial Development Decade for Africa had been underlined by the twelfth meeting of the Conference of African Ministers of Industry (CAMI) at Gabarone, Botswana, in June 1995, and by the Bureau of CAMI at a meeting at Pretoria, South Africa, in April 1996. The view had been expressed at the latter meeting that the Second IDDA was Africa's own programme and that it should be linked with national private sector programmes and committees. Work at local level should of course be coordinated with the subregional and regional activities of OAU, ECA and the African Development Bank (ADB).

58. Despite UNIDO's financial difficulties it was important to preserve funds for the Second IDDA and, if possible, to increase them from extrabudgetary sources.

59. On the basis of its experience the Secretariat was developing a global strategic framework divided into traditional projects, priority projects and projects with high potential and a multiplier effect.

60. Account should be taken of the recommendations of the Pretoria meeting of the CAMI Bureau on cooperation with multilateral financial institutions, coordination with regional multilateral institutions, including OAU and ECA, preparations for the evaluation of the Second IDDA at its midpoint, and preparations for the thirteenth meeting of CAMI, on the theme "Industrialization in Africa and the Twenty-First Century".

61. Turning to agenda item 9, he said that the issue was one of UNIDO's principal areas of concentration. Technical cooperation on strengthening the development of capacities, investment promotion, the development of human resources, the industrial development of rural areas, small and medium-sized enterprises, development of the private sector and environment and energy were all of concern to LDCs.

62. Those activities had been strengthened in UNIDO's priority area 7 covering the African countries and the LDCs, with particular stress on the link between agriculture and industry and the agro-food industries.

63. Food security and quality of production were given particular attention. Industrial development linked to the well-being of the people would be dealt with in relation to the industries concerned, including textiles and building materials, and to health and education.

64. Following an initial analysis of the situation in a number of LDCs in relation to gold prospecting, a high-impact programme had been developed for seven West African countries for which financial resources were already being mobilized.

65. The biennial meeting of LDCs held before the UNIDO General Conference session provided an opportunity to review results and update objectives. UNIDO was represented in three quarters of the LDCs and was trying to assign a UNIDO Country Director to as many LDCs as possible.

66. On agenda item 10, he informed the Board that as at 1 February 1996 there had been 29 UNIDO Country Directors, 36 Junior Professional Officers and 25 associate experts, totalling 82 Professionals in 42 UNIDO offices. Thirty-six LDCs had either their own UNIDO Country Director or one in a neighbouring country.

67. UNDP had allotted $19 million for the fifth programme cycle, 1992-1996, and $3 million for 1997. However, from 1 January 1998, UNDP would be giving no more support for UNIDO country representation. To meet the shortfall it was intended to call on recipient Member States to contribute in convertible or local currency or in kind. It was also intended to transfer some officials from Headquarters to field offices. However, the aim of 50 field offices was unrealistic and the figure would probably have to be brought down to 20.

68. The recent reorganization of the Secretariat had given responsibility for field offices to the directors of the regional bureaux. Coordination, previously carried out by the Office of the Managing Director of the Division, was now being done by field support activity in the five regional offices at Headquarters. To facilitate the work of field representatives, certain management functions were being decentralized from Headquarters to the field and administrative procedures were being simplified.

69. Under the 1989 memorandum of understanding between UNDP and UNIDO, UNDP representatives were considered as UNIDO representatives in the field. Under the new agreement now being drawn up between UNDP and UNIDO, the UNIDO representative in Member States would be the UNIDO Country Director and, like the representatives of the other specialized agencies, would work in conjunction with the office of the United Nations Resident Coordinator.

70. **Mr. PIRES** (Cape Verde) said that the twelfth meeting of the Conference of African Ministers of Industry had stressed the importance and usefulness of the Alliance for Africa's Industrialization, which would reinforce the United Nations Special Initiative on Africa, concentrating on industrial development, particularly competitiveness and productivity, the processing of Africa's natural resources and its agro-industrial potential.

71. The Alliance would be essential in channelling national and regional efforts on behalf of industrial development in Africa. The African countries should see it as their own instrument for programming and consultation with potential donors such as ADB, the Common Fund for Commodities and individual countries. There would be no overlap between the Alliance programme and the Second IDDA programme; the two were complementary.

72. It was important to stress the need to finance the activities under the Alliance programme.

73. There was a need for continuing consultations between the UNIDO Secretariat, the Director-General and the permanent representatives of African States in Vienna, Geneva and Bonn, where many African States had an embassy.

74. He thanked the Director-General for his efforts in regard to the reform of UNIDO, while stressing the need to retain the Organization's capacity for action, particularly in the developing and least developed countries. His delegation considered that UNIDO field representation was essential in ensuring the success of the programmes carried out jointly with Governments.

75. **Mr. EL GAILANI** (Sudan) said that the Second IDDA recognized the importance of industrialization for Africa. Africa was counting on the Second IDDA and he hoped that despite cutbacks UNIDO would be able to mobilize the necessary financial resources to implement the programmes.

76. The various resolutions of the fourth, fifth and sixth sessions of the General Conference, the General Assembly and CAMI had stressed the need to give top priority to the Second IDDA programmes. Implementation of those resolutions required effective management.

His delegation had full confidence in the staff member responsible for the Decade under the new UNIDO structure, but more staff and experts were needed in the relevant unit if the goals of the Decade were to be achieved.

77. It was important to discuss the Alliance for Africa's Industrialization, whose goals were very close to those of the Second IDDA.

78. Turning to document IDB.15/10 on the industrialization of the least developed countries, he expressed concern at the decline in the process of industrialization in those countries. The gap between rich and poor countries was widening. Most LDCs were in Africa and they were hoping for greater attention from UNIDO in the future. Many of them had made great strides in preparing the plans and infrastructure necessary for their industrial development, changing their economies from public to private ones and their markets from closed to open ones. They were hoping for advisory and technical services from UNIDO to implement their policies.

79. He hoped that the recommendations of CAMI would be implemented. He urged international financial agencies and bilateral donors to give priority to the LDC programme by setting up a special fund. The mobilization of funds for the industrialization of the LDCs should also be improved.

80. **Mr. BAPTISTA DA COSTA** (Observer for Angola) said that the Third Ministerial Symposium on the LDCs held in 1995 had stressed that help from the international community and organizations such as UNIDO remained crucial if LDCs were to graduate into a different group. The international community, especially the developed countries, as well as regional and international financial institutions and private investors, should provide financial and technological support for the development of a sustainable private sector and the accelerated growth of industrial enterprise in those countries. In that regard, it should be borne in mind that the implementation of world trade liberalization agreements following the Uruguay Round could prove unfavourable to the LDCs in the initial stages and that the emergence of newly industrialized economies with unprecedented productive capacities was a further factor intensifying the competitive pressure on LDCs.

81. With the changing role of the State in national economies, increased global competition, limited cash flows due to the globalization of world markets, diminishing development aid, declining foreign direct investment in LDCs, large debt burdens, high population growth and the unsatisfactory state of information and technology in LDCs, the 48 LDCs needed the assistance of a reformed, vibrant and financially secure UNIDO to help them establish the technical and technological capacities required to survive in the next century.

82. While many LDCs had made considerable efforts to promote economic restructuring and private-sector development, reform had been a long process, even in those countries with well-established institutions and legal systems. They therefore needed continuous support to develop and implement their programmes. In that regard, special initiatives should be undertaken to ensure that LDCs were given priority by UNIDO in its various programmes aimed at improving production capacities in selected industrial subsectors, building up institutional capabilities in order to enhance foreign direct development flows and mobilize local resources, and initiating human resource development programmes.

83. The twelfth meeting of the Conference of African Ministers of Industry (CAMI) held in Botswana in 1995 had been an important step in the development of the private sector in Africa, and the development of manufacturing was a significant means of boosting growth in the LDCs and increasing their share in the world economy. Now that the situation of the African economies, especially those of the LDCs, was the main justification for UNIDO's existence, that priority should be reflected in the relative volume of assistance delivered by UNIDO to those countries.

84. Strengthened field representation would enable UNIDO to gain closer contact with clients and provide direct advisory and information services. Stronger field representation could be achieved through continuous dialogue with country-level decision makers, including Government authorities, the private sector and national and regional financial institutions, to increase awareness of UNIDO capabilities and services in the countries concerned.

85. The Board should continue the reform process and, in particular, maintain the UCD programme, which needed to be strengthened for the sake of the developing countries in general and the speedy industrialization of African countries in particular. UNIDO staff members, selected on the basis of their professional experience, should be sent to those countries which clearly lacked sufficiently competent and experienced personnel.

86. The field representation strategy should give absolute priority to the LDCs, especially those in Africa. The Angolan Government needed the permanent presence and active support of UNIDO to assist in the country's reconstruction process, in which UNIDO had an important role to play alongside other agencies of the United Nations system.

87. **Mr. KAGODA** (Uganda) said that many global and national changes, such as increased liberalization of trade and privatization, had taken place since the Second IDDA programme had been drawn up several years back, with the result that many of the national programmes formulated at that time were now irrelevant and could not be fitted into current strategies without major modification. UNIDO should therefore ensure that national IDDA programmes were reviewed and updated to take account of current economic trends.

88. With regard to the proposed Alliance for Africa's Industrialization, he recalled that during an Investors' Forum organized in Kampala in 1995 by UNIDO, the Common Market for Eastern and Southern Africa (COMESA) and the Ugandan Government, a number of joint-venture investment agreements and letters of intent had been signed. While commending those efforts by the UNIDO Secretariat, his delegation requested UNIDO to provide the promised follow-up assistance. The objectives of the Alliance initiative appeared to be similar to those of the Investors' Forum, which was so far yielding positive results. Accordingly, he urged the Secretariat to do its utmost to launch the initiative, which should contribute towards bringing about the rapid industrialization of LDCs in Africa.

89. With regard to the merger of UNIDO and UNCTAD suggested by the Netherlands Government, Uganda was convinced that such a merger would result in the loss or downgrading of some of UNIDO's functions and ultimately lead to the dismantling of one of those organizations. As an LDC, Uganda felt that its industrialization process would be better facilitated and its interests better served if UNIDO were preserved. A merger of the two organizations was barely conceivable in any event since they each had their own mandate, legal status and structure.

90. Concerning field representation, he stressed the importance of the post of UNIDO Country Director, especially in the LDCs. Since Uganda had lost its UCD post to Kenya in 1994, UNIDO activities in his country had virtually ground to a halt. His country had not yet received any positive response to its request to have that post reinstated and, in view of its urgent need for UNIDO's assistance, once again requested the Organization to review the matter.

91. Regarding UNIDO's organizational and staff structure, he noted that the selection criteria applied in making appointments—while reasonable in themselves—did not appear to include special knowledge of the economies, politics, culture and other aspects of the African continent, despite the fact that Africa was a priority region for UNIDO and most of the LDCs were in Africa, and that the new Country Programmes and Funds Mobilization Division was to be a key player in Africa's industrialization. His delegation believed that it would always be possible to find African nationals with the necessary qualities to take up the challenge of serving on the staff of UNIDO.

92. **Mr. SOOS** (Hungary) said that his country had just become a full member of OECD and expected that its membership would facilitate its full integration into the world economy, while also promoting foreign capital investment domestically. That was the spirit in which Hungary had declared at the sixth session of the UNIDO General Conference its intention to increase its role as a donor country and to participate more actively in the industrialization of LDCs. At the same time, however, his Government looked forward to receiving assistance from UNIDO for the promotion of investment activities and environmentally sustainable development.

93. The strengthening of Hungary's status as both donor and recipient had an impact on its cooperation relationship with UNIDO. Both the Hungarian UNIDO National Committee and the Joint Hungary/UNIDO Committee needed to be adjusted to the new requirements, and Hungarian membership of those two bodies should include industrialists from a wider industrial spectrum, thus providing a direct link between private Hungarian companies and UNIDO and making for better communication of Hungarian needs for the services of UNIDO, while at the same time making sources of expertise available to UNIDO within the framework of Hungary's donor activities.

94. The establishment in Budapest of a UNIDO Investment Promotion Service office was aimed at promoting that endeavour by stimulating foreign capital investment in Hungary and encouraging the export of Hungarian technology and know-how to the developing and least developed countries. As part of that initiative, his country wished to plan the IPS office in such a way as to take advantage of UNIDO's World Investment Network System; it was currently examining its financial requirements and the resources available in that connection, and trusted that UNIDO would be willing to help work out the finer details.

95. Hungary was pleased to note that UNIDO had benefited greatly from the current reform process, which had received considerable impetus from the direct involvement of the consulting company Arthur D. Little International, Inc. While agreeing with the Director-General that UNIDO should endeavour to complete its reform in the near future, he stressed that reform was none the less a continuing process and that the most important message emerging from the whole exercise was that UNIDO had proved its ability to respond to the challenge of a rapidly changing environment.

96. The Organization's new structure had definite merits but also appeared to contain old and familiar elements. It remained to be seen how the combining of the country programme and funds mobilization functions would work in practice and whether the new Policy Coordination Office could operate effectively within the Director-General's Office. It was commendable, however, that the Organization had managed to keep the professional capacity of its technical divisions almost intact despite financial constraints. Once the reform process had been consolidated, UNIDO would undoubtedly be a cheaper and less bureaucratic organization with resources concentrated in substantive areas. The fact that staff reduction had been achieved largely through voluntary measures also represented a considerable achievement; otherwise there would have been a lasting loss of morale. In that connection, Hungary appreciated the periodic briefings that had been held during the staff reduction process.

97. With regard to the management of UNIDO's services, he had taken note of the new Director-General's bulletins. The description of the programming services under thematic priorities was a little difficult to follow, but might provide sufficient guidelines for those involved in the process on a daily basis. There appeared to be some conflict between UNIDO's demand-based orientation and the approach chosen for programme and project identification and formulation under the seven thematic priorities. The new approach to dealing with ad hoc requests, however, was simpler and more efficient than the old process. It was to be hoped that the remainder of the project cycle would soon be the subject of a further bulletin and that the transitional period would not affect the implementation of projects in progress.

98. In conclusion, his delegation welcomed the progress made in reforming UNIDO and was confident that the crisis was over. It hoped that the Organization could now concentrate fully on substantive issues and would emerge from the reform process as a fresh and vital partner for the Member States.

99. **Mrs. OK** (Turkey) said that her country had always supported programmes giving priority to the special needs of the LDCs and, in that context, also supported the programme for the Second Industrial Development Decade for Africa and welcomed the efforts undertaken by the Director-General and the Secretariat in that connection. For more than 20 years now, Turkey had been organizing, in cooperation with UNIDO, in-plant group training programmes for participants from LDCs and was willing to continue to do so provided that UNIDO was able to maintain its financial contribution.

100. With regard to field representation, it was her delegation's long-standing view that UNIDO should shift its focus to activities in the field by establishing regional and subregional offices with substantive technical staff, whose qualifications and competence should also be upgraded. The clustering of field offices to serve as regional or subregional centres, as suggested in document IDB.15/12, was a promising approach. Her Government's proposal in that regard was still open, namely to establish the UNIDO office in Turkey as a subregional centre serving the newly independent States as well as other interested States in the region. UNIDO merely had to take the necessary steps in order to benefit from Turkey's offer of expertise and facilities.

101. Regarding the financing of UNIDO field representation, she recalled that one of the main comparative advantages UNIDO had developed as a result of its promotion over the years of private sector investment was its expertise in the field of investment promotion. Its global network of Investment Promotion Service (IPS) offices and regional programmes constituted an undervalued asset and a function whose current revival was most welcome. The Secretariat should accordingly keep the Permanent Missions in Vienna informed about the IPS system, drawing their attention to the fact that it was completely financed by the respective Governments and was a profit-making activity for UNIDO.

102. For its part, UNIDO could turn the comparative advantage represented by the system into a high-impact programme by ensuring that the IPS offices worked more cohesively as a network and thus attracted the broad interest of developing countries' national investment promotion agencies, which could be linked to the IPS offices as part of an expanding global network.

103. Owing to the shortage of funds available for the field office programme and in view of the fact that one of the main tasks of such offices in developing countries should be to promote investment, her delegation considered that organic links could be established between UNIDO field offices and IPS offices where they were present in the same country. IPS offices might also function as field offices. In order to improve the IPS network, however, mediatory computer networks such as Be Net, Bre Net and Euro Info Centre should be introduced, particularly in developing countries in urgent need of foreign capital.

104. A second improvement would be to involve the IPS offices in the preparation of investment forums, which were useful tools for obtaining capital for the investment projects of developing countries, and also in the follow-up to the investment links established through such forums.

105. Thirdly, in order to secure foreign capital, which was as important as domestic capital in industrial investment, UNIDO should approach investment and development banks such as the European Bank for Reconstruction and Development for the funding of projects prepared by IPS offices. Since UNIDO's contribution to an enlarged IPS system did not need to be substantial in financial terms, its 18 per cent charge for project costs should be reduced to 5 per cent.

106. The Investment and Technology Promotion Division should establish a periodical system for assessing the UNIDO investment forum network services, reporting its findings to the Board. Such assessment should take account of the views of the relevant IPS offices.

107. Her delegation believed that IPS offices opened up a wide range of opportunities to countries. Moreover, they could become partially self-sustaining by charging the beneficiaries directly for services offered. That option would reduce the financial burden on the donor countries hosting IPS offices while increasing the accountability of UNIDO *vis-à-vis* the private sector, which was in keeping with UNIDO's increasing focus on that sector.

108. In conclusion, her delegation considered investment promotion to be the most promising avenue for UNIDO's future work and urged the Director-General to keep the Member States informed about developments in that area, to strengthen investment promotion activities by improving the system and to ensure that such activities remained part of UNIDO's mandate.

109. **Mrs. LAJOUS** (Mexico) reiterated her country's support for the Second IDDA and, in particular, for the Alliance for Africa's Industrialization launched by the Director-General. Mexico believed that those initiatives would contribute significantly to the development of Africa and wished them every success.

110. Her country attached particular importance to the promotion of cooperation, especially among developing countries, and believed that UNIDO had a special role to play in that regard. At the regional level, Mexico had launched a major cooperation initiative embracing the Caribbean and Central America. In doing so, it had taken UNIDO's work in that area as its basis and trusted that its initiative would be copied in other parts of the world.

111. **Mr. AL-ZEID** (Saudi Arabia) said that the developing countries attached great importance to UNIDO, the ideal instrument for channelling assistance for industrial development. Among UNIDO's most important programmes were those on the industrialization of least developed countries, field representation and the Second Industrial Development Decade for Africa.

112. Referring to document IDB.15/10, he said that he welcomed the Secretariat's efforts to bring about the industrialization of the least developed countries and appealed to donor countries to provide all possible assistance in implementing the relevant programme. In particular, States should support the construction of infrastructure required to foster an atmosphere conducive to industrial development in the least developed countries. The Secretariat should seek to develop human resources in the least developed countries in order to improve local capabilities and should promote programmes designed to encourage the private sector to engage in industrial development of rural areas, where the majority of the population of such countries resided.

113. Turning to document IDB.15/12, he said his delegation supported the new approach to field representation, particularly joint efforts to formulate country programmes, mobilization of financial resources, the according of new functions to country representatives and decentralization efforts. UNIDO Country Directors should assume responsibility for contacting competent agencies and Governments in beneficiary countries concerning general policy matters, programming and implementation and evaluation of industrial cooperation projects, and should participate in fund mobilization.

114. In the light of the current financial difficulties, the UNIDO Country Director programme would face great obstacles in pursuing its activities, especially after 1 January 1998, when it was expected that financial support from UNDP would come to an end. According to the Director-General's report, if financing proved inadequate after the 1996-1997 biennium, the programme would have to be cut in order to remain within available resources. The target of 50 UNIDO country offices would be impossible to attain in the 1996-1997 biennium, and UNIDO would be unable to maintain more than 30 country offices with full staffing in the current biennium. For the next biennium, it would be obliged to reduce country representation to no more than 20 field offices with full staffing, unless it obtained additional resources. In view of the programme's importance for the developing countries, his delegation hoped UNIDO would discuss the matter further and make changes so that country offices could be established at the regional and subregional levels to enable the greatest number of countries to benefit from their work. He urged Member States, particularly host countries, to increase their contributions to the programme.

115. **Mr. DASQUE** (France), referring to the Second Industrial Development Decade for Africa, said that

Africa was important to France because of its special relationship with that continent and the considerable assistance it provided, which could usefully be supplemented by aid from international organizations. A large number of LDCs were in Africa, and it was precisely in that domain that UNIDO could demonstrate its usefulness and effectiveness. Yet the funds allocated for the programme for the Second IDDA in the 1994-1995 biennium totalled only $10 million, not a large amount and equivalent to only 5 per cent of the total funding for technical assistance. The resources allocated for Africa as a whole amounted to 17 or 18 per cent of total funding for technical cooperation. That amount could and should be increased.

116. Document IDB.15/6 provided interesting information but very little numerical data. His own research had revealed that the IDDA had yielded good results in some countries—Madagascar, the United Republic of Tanzania, Ghana and Uganda, for example—and poorer results in others—Mali, Niger and the Sahel countries. The document failed to mention the European Union as an organization with which UNIDO cooperated on projects in Africa, yet the European Union provided a large amount of development assistance to African countries in the context of the Lomé Convention. A rapprochement between UNIDO and the European Union, both at Headquarters and in the field, could yield positive results.

117. Turning to the subject of the least developed countries, he noted that document IDB.15/10 contained useful information but provided no figures on the amount of technical assistance devoted to those countries. His own information showed that the volume of that technical assistance in 1995 had been $8 million—not a large amount, and equivalent to something less than 8 per cent of the total technical cooperation funding. That raised the question of whether the Least Developed Countries Unit was adequately staffed; in his opinion, it could be further strengthened.

118. Turning to field representation, he applauded the measures adopted by the Secretariat, including the harmonization and simplification of procedures and the centralization of functions by such measures as allowing the UCDs to mobilize external funding for technical assistance projects. The search for alternative solutions had brought forth a number of good ideas that deserved further consideration. It was regrettable, however, that UNIDO's budgetary situation should prevent it from strengthening its field representation. A way of achieving that goal that entailed no financial implications must be sought. The Investment Promotion Services could perhaps serve as intermediaries between Headquarters and Member States for the purpose of disseminating information, promoting activities and gathering data on enterprises in the host country. French entrepreneurs, for example, often lacked information on procedures for bidding on UNIDO projects, but improved coordination between UNIDO Headquarters and its Investment Promotion Service in Paris would give them a better knowledge of UNIDO's activity sectors, the programmes it was carrying out and the types of enterprises and research institutions that were needed for such programmes.

119. **Mr. SANDIGA CABRERA** (Peru) said that the field representation programme, as the tangible expression of UNIDO's technical cooperation activities in the field, served to gauge the progress made with the reform and restructuring of the Organization. The revision of the responsibilities of UNIDO Country Directors, the reform of field offices, and the intense efforts made by the Director-General to mobilize alternative financing for field representation, were laudable efforts, but they were not enough. Member States should realize that the reform and restructuring process must not be confined to Headquarters at Vienna: specific results must be seen in the field. States should concretize their commitment to industrial development through the co-financing of field offices. His Government, for its part, would provide office facilities for UNIDO's field representation in Peru as from June 1996. Co-financing was certainly not the only way of contributing to reform and restructuring; the Director-General's proposal for the establishment of national industrial councils was an extremely important one.

120. In conclusion, he called on all Member States to help to strengthen field representation and confirmed his delegation's support for the draft decision on that subject that was to be submitted by the Group of 77.

121. **Mr. SHAH** (Pakistan), referring to document IDB.15/12 and Corr. 1, said that Pakistan appreciated the Secretariat's efforts to simplify and streamline the procedures for the field offices and to reorganize responsibilities with a view to maintaining the programme and increasing its efficiency despite the reduced availability of resources. UNIDO currently maintained about 30 fully staffed field offices, as against a target of 50. It was regrettable that the programme would have to be further cut to a total of only 20 staffed offices in the next biennium. Pakistan attached great importance to the presence of UNIDO field offices in countries to facilitate the implementation of UNIDO's programmes and activities. His Government was actively considering a proposal to share costs for the office in Islamabad; in that connection, he endorsed the proposal made by the representative of Turkey. Everything possible must be done to generate resources for maintaining a strong field representation programme.

122. **Mr. PEYRAT** (Paraguay) said the documentation before the Board revealed the efforts made by the Director-General to plan and implement the reform and restructuring process. Industrial development was essential to contemporary nations, and it was important that it should be promoted by an organization adapted to the times and streamlined to the maximum, with a far-reaching revision of priorities.

123. Through the work done in the Latin American Group, the close contact maintained with the Director-General and the Secretariat and the intensive discussion on specific programmes for the country, Paraguay had become convinced that a strong field representation was the most effective way to achieve real industrial development promotion. It supported the programmes for development of regions other than its own and called for due attention to be paid to programming for Latin America and the Caribbean.

124. **Mr. EFFENDI** (Indonesia) said that the field representation programme was instrumental in the success of technical cooperation projects and formed a bridge between the interests and priorities of the host country and resources available at UNIDO Headquarters. His delegation attached great importance to the sustainability of the field representation programme and believed that UNIDO should explore all possible avenues, including the deployment of responsibilities from Headquarters to field offices, as a means of overcoming the financial difficulties entailed by the cessation of UNDP funding as from 1 January 1998. In view of the scarcity of financial resources, it was appropriate that UNIDO should undertake a major restructuring of the field representation programme, including simplifying certain procedures and improving management and coordination.

125. The UCD in Jakarta had made valuable contributions in such areas as competitiveness in the manufacturing sector, human resources development, environmental technology and investment promotion. In view of those important contributions, his Government had decided to double its commitment to local support costs of the office from $25,000 in 1995 to $50,000 in 1996. The Indonesian Government had identified five regional offices for UNIDO counterparts with a view to facilitating cooperation among governmental authorities, and particularly between the Government and the private sector. It hoped that, with adequate financial and staff resources, the field offices would continue to act as a centre for the assessment of country situations, the preparation of UNIDO country support strategies and the formulation of integrated programmes.

The meeting rose at 1 p.m.

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Industrial Development Board

Fifteenth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 8 May 1996, at 3 p.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
8	Second Industrial Development Decade for Africa *(continued)*	1 - 16
9	Industrialization of the least developed countries *(continued)*	
10	Field representation *(continued)*	
5	Report of the Programme and Budget Committee:	17 - 26
	(a) Review of the implementation of the programme and budgets, 1996-1997	
	(b) Update of the financial situation of UNIDO	
	(c) Ceiling of assessments	
12	Joint Inspection Unit	27 - 30
13	Matters related to intergovernmental, non-governmental, governmental and other organizations	
14	Provisional agenda and date of the sixteenth session	31 - 34

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The meeting was called to order at 3.10 p.m.

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA *(continued)* (IDB.15/6; IDB.15/CRP.2)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES *(continued)* (IDB.15/10)

FIELD REPRESENTATION *(continued)* (IDB.15/12)

1. **Mr. BARINE** (Kenya) said that Africa would do everything within its means to promote industrial development in an endeavour to alleviate the poverty that persisted in that continent on a scale unknown elsewhere. UNIDO accordingly had its wholehearted support. His delegation noted with appreciation the measures taken by UNIDO in previous years to develop the programme for the Second Industrial Development Decade for Africa and welcomed the fact that the level of funding had been maintained. However, the programme was still inadequately funded and he would urge the Director-General to mobilize further sources of finance.

2. Kenya would welcome UNIDO's assistance, at the earliest opportunity, in revising its national programme for the Second IDDA, in line with the Government's decision to transform Kenya into a newly industrialized country by the year 2010.

3. It would also urge UNIDO to take the necessary action to follow up the industrial sector programme review missions carried out in 1994-1995. In view of the low implementation rate in Africa, there should be careful examination, in collaboration with national authorities, of the reasons for failure and their cure.

4. His delegation stressed the importance of the role of the UNIDO Country Director, not only for Kenya, but also for other countries.

5. With reference to the Alliance for Africa's Industrialization, his delegation welcomed the aim of linking the private sector in Africa with that in other continents and mobilizing resources for African industrialization. Those objectives were in line with his Government's decision to adopt industrial development as the theme of its next five-year development plan. The initiative would not jeopardize, but rather supplement, the Industrial Development Decade for Africa.

6. Seventy per cent of the least developed countries were in Africa. There was therefore a moral obligation to help the continent overcome its difficulties and achieve sustained growth. He hoped that the donor community would meet that challenge and thanked it for its past support.

7. **Mr. KOUASSI** (Côte d'Ivoire) said that his delegation welcomed the initiatives undertaken by UNIDO to support the industrialization of the developing countries, particularly those in Africa. At a time when a number of African countries had implemented appropriate adjustments and reforms with a view to embarking on sustainable industrialization, the question of financial resources was the main constraint. His country therefore supported the Director General's commitment to seek such resources in non-traditional areas.

8. The Second IDDA had yielded positive results in a number of fields but the conditions prevailing when the national programmes had been designed had since changed. The assistance provided by the international community, and UNIDO in particular, to the countries of Africa needed to be readjusted. His delegation therefore supported the Director-General's initiative to launch the Alliance for Africa's Industrialization. The Alliance would be an additional tool and provide a fresh framework for economic cooperation to promote the economic development of Africa.

9. **Mr. DE MARIA Y CAMPOS** (Director-General), replying to the comments of delegations on agenda items 8, 9 and 10, said that he was gratified at the interest shown in those topics.

10. With regard to the Second Industrial Development Decade for Africa, he had noted the comments made by delegations, which reflected the importance they attached to the question. As mentioned by the delegation of Ghana, the programme had been decided on some years previously and needed to be updated in the light of major economic changes that had since occurred. The Organization believed that it was necessary to review the achievements of the Decade with a view to developing its activities through the Alliance for Africa's Industrialization. The fundamental principle was that the basis for future work should be the needs and development plans of each country.

11. Assistance was being given to several African countries, such as Kenya, Côte d'Ivoire and Nigeria, in the formulation of industrial master plans or investment policies, a task that was being undertaken by Governments more and more with the support of the private sector. UNIDO was ready, from the technical point of view, to provide the necessary international cooperation. It was also desirable to ensure close coordination between IDDA programmes and other programmes for African and Arab countries. It should, however, be remembered that there were very strict limitations on resources. New ways of financing were being explored in the context of the Alliance for Africa's

Industrialization. Additional voluntary contributions were needed, especially for some high-impact programmes such as quality production of food.

12. Referring to the comment by the representative of France, he said that efforts would be made to achieve a balance between programmes for English- and French-speaking countries. Programmes had sometimes been concentrated more in some countries than in others. That was inevitable in order to ensure the impact of programmes when resources were limited. However, a way would have to be found to develop a more balanced approach to cover all countries, particularly the LDCs, by expanding sources of financing.

13. The representative of Uganda had drawn attention to the problem of countries without UNIDO field representation offices. However, there were projects worth approximately $900,000 in the pipeline for Uganda, which was also served by the field representation office in Nairobi. A very successful investment forum had been held in Uganda, at which new sources of investment had been identified in countries of Europe, Asia, the Indian Ocean rim and the Middle East. Follow-up action had to be taken so that specific investment projects would materialize. For that purpose, project completion facilities which had formerly been provided by UNDP, the World Bank or other financial institutions were needed.

14. With regard to field representation, UNIDO was in a very difficult position, in view of the level of existing resources. He was glad that more and more countries were prepared to finance the local costs of such offices. That was perhaps the basic requirement. He welcomed the approach by the representative of Turkey to the problems of field representation offices.

15. The question of better coordination between UNIDO Country Directors and Investment Promotion Offices was under consideration by the group studying the reform process. Self-financing of the Investment Promotion Offices also had to be improved. The UCD offices were funded out of the UNIDO regular budget, and it was their duty to ensure coordination with other United Nations agencies and to provide neutral services. The Investment Promotion Services represented the interests of the host countries financing them, so that conflicts of interest might arise. In order to solve the difficulty, it was suggested that investment promotion units be established within Investment Promotion offices, with national staff, but under the final responsibility of a UNIDO Country Director. It was necessary to find innovative approaches that would meet various special needs. There was an agreement with India for financing an investment and technological promotion initiative linked to the UCD post. He would be happy to report to the 1996 meeting of the Board on the general question of field representation.

16. With regard to the least developed countries, he announced that the implementation figure of $8.6 million in 1995, though still lower than he would have wished, represented an increase over the previous year. UNIDO was preparing a drastically new, more action-oriented approach to assistance for the least developed countries, for which he hoped he would receive guidance from the Board.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE:

(a) REVIEW OF THE IMPLEMENTATION OF THE PROGRAMME AND BUDGETS, 1996-1997

(b) UPDATE OF THE FINANCIAL SITUATION OF UNIDO

(c) CEILING OF ASSESSMENTS

(IDB.15/2, IDB.15/3, IDB.15/4, chap. II, IDB.15/5, IDB.15/15)

17. **Mr. VAN RAALTE** (Managing Director, Division of Administration), introducing the item, said with regard to item 5 (a) that the review of the implementation of the programme and budgets, 1996-1997 (IDB.15/5) had been prepared in response to General Conference decision GC.6/Dec.11, authorizing the Board to examine the revised programme and budgets and to recommend appropriate changes in the light of experience during the first quarter of 1996. The review conducted by the Secretariat had concluded that essentially two factors had influenced experience during that period. The first was the few structural adjustments made during the quarter, including the creation of a Policy Coordination programme and reconfiguration of other programmes. Although those changes had entailed some movement of resources between divisions, the basic programme and budget structure had been maintained, and the alterations had not resulted in any change to the overall resource levels of the programme and budgets approved by the General Conference. The second main influence during the first quarter had been the staff reduction exercise. That had caused a slight rise in regular budget expenditures above the linear projections for the period. That factor should correct itself in the coming months.

18. With regard to item 5 (b), the update of the financial situation of UNIDO (IDB.15/3) indicated that the crisis faced by the Organization during the second half of 1995 had been largely overcome. Nevertheless,

because of the high level of arrears of assessed contributions, and since virtually all the reserves available to the Organization had been depleted by the end of 1995, the cash flow situation would continue to be somewhat precarious. An additional $47 million needed to be collected before the end of the year just to break even and, for any of the reserves to be replenished, arrears from previous bienniums would have to be collected from some States. Collection rates for regular budget contributions had improved a little during the first quarter; that had been due to the fact that a few Member States had paid earlier than in the previous year. The Organization nevertheless expected all other Members to show their support by also paying their assessed contributions. On the general question of the collection of assessed contributions, the Secretariat had prepared a paper summarizing the results of a study, conducted in late 1995 by a discussion group, of possible incentive and penalty schemes. The Secretariat was prepared to make that paper available to Member States, which might decide that the discussion group should resume its deliberations. It had been suggested that the group might in future be chaired by one of the Member States. The financial situation of the operational budget had also improved during 1996, owing to a positive income position, and it might be possible to increase the reserve level of $3.5 million at 31 December 1995 to just over $4 million by the end of the current year.

19. Document IDB.15/3 also summarized the measures taken to improve accountability and transparency in financial matters. They included better financial management of the operational budget, a more rational allocation of operational budget resources, and improved presentation of financial statements following the recommendations of a panel of external auditors and of the Inter-Agency Working Group on Accounting Standards. Other measures were the introduction of monthly executive management reports and a review of the Organization's financial regulations and rules, the results of which would be presented to the next Programme and Budget Committee session.

20. Included in document IDB.15/3 was a report on the separation indemnity reserve established at the end of 1995. An amount of $13.6 million had been expended up to 31 March 1995, leaving a balance of $3.4 million to be used to finance non-voluntary staff separations and support costs.

21. The document also referred to promissory notes, which, by a decision of the Executive Committee of the Montreal Protocol Multilateral Fund, would henceforth be acceptable as committable resources. UNIDO's views on the matter had been sought, and it was felt important to bring the information to the attention of the Board. The Secretariat would continue to study the matter and consult Member States before a decision was taken.

22. With regard to item 5 (c), the Board had been requested to review the relevance of the 25 per cent ceiling of assessments, the underlying issue being whether it was wise for UNIDO to rely too much on relatively few Member States when assigning assessment rates. Document IDB.15/3 provided background information on the constitutional basis for the formula currently used, and also described the practices adopted in the preparation of scales of assessments at other organizations of the United Nations system. In that connection, United Nations Headquarters had established two working groups, the High-level Open-ended Working Group on the Financial Situation of the United Nations and an ad hoc intergovernmental group to study the principle of capacity to pay, whose findings it would be important for UNIDO to take into account, to the extent applicable. The document concluded with two suggested options for consideration: either to continue following United Nations practice, or to amend the Constitution, if the maximum rate of assessment was to be lowered from its present level of 25 per cent. The second option would be a complex and time-consuming process.

23. **Mr. WANG Baorong** (China) said that his delegation supported the organizational changes introduced by UNIDO and the adjustments made to the programme and budget structure for the 1996-1997 biennium. Those measures would enhance the positive outcome of UNIDO's reform efforts. China also supported the budget adjustments that had been carried out by the Organization; they had strengthened UNIDO's financial management and would help improve the efficiency of its work and the use of resources. The Organization had achieved remarkable results in its efforts to improve accountability and transparency in financial matters. Further work was still required in that area in order to ensure that additional funds were made available for the promotion of the industrialization of developing countries in spite of the budgetary constraints.

24. His delegation wished to express its deep concern regarding the withdrawal of some countries from UNIDO, which had a serious impact on the Organization's financial situation. China had always fulfilled its obligations by paying its assessed contributions on time. It noted with satisfaction that, as at 31 March 1996, the collection rate for the current year had exceeded 40 per cent. That was a clear illustration of Member States' support for UNIDO's activities and their acknowledgement of the positive results of its reform process. His delegation hoped that States in arrears would settle their unpaid contributions promptly,

in order to ensure the successful operation of the Organization following the completion of its essential reforms. China wished to draw the Secretariat's attention to the need to make savings to the extent possible, in particular in the use of funds, in view of the present financial restrictions.

25. Under the present practice, UNIDO was too dependent on certain individual countries' contributions. His delegation believed that contributions to the Organization should be based on the United Nations scale of assessment. That would result in an improvement in the management of contributions, ensuring the rational and effective utilization of resources.

26. **Mr. DE MARIA Y CAMPOS** (Director-General) said that the Secretariat would continue to employ its best efforts in implementing the budget for the 1996-1997 biennium and to endeavour to make savings wherever possible. It was willing to improve its mechanisms for the formulation, follow-up and control of the budget, as well as any aspects relating to the financial rules and procedures that might assist the process. It would be ready to hold the necessary informal consultations with Member States, whose guidance it sought in the difficult task of constructing a budget on the basis of a programme approach. That was a complex step, which had generated much discussion within the United Nations system, but had been undertaken successfully by only a few organizations.

JOINT INSPECTION UNIT (IDB.15/9)

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.15/8 and Add.1, IDB.15/11 and Add.1)

27. **Mr. TAKIZAWA** (Chief, Internal Audit), introducing agenda item 12 on the Joint Inspection Unit (JIU), said that six of the 13 reports issued by the JIU in 1995 were of relevance to UNIDO. Four of them had been summarized in document IDB.15/9, while two would be presented to the Board at its next session.

28. The report on the advancement of women through and in the programmes of the United Nations system (JIU/REP/95/5) examined why little progress had been made with regard to equal rights for men and women. It put forward a number of recommendations, and UNIDO's response was contained in the document before the Board. The report on United Nations system support for science and technology in Asia and the Pacific (JIU/REP/95/7) concluded that the system had significantly contributed to fostering self-reliance in science and technology in the region. It identified a number of success factors and made suggestions with a view to putting that positive experience to use in other regions, including Africa. UNIDO's revised and streamlined policies and procedures for official travel, which were contained in the new Director-General's Bulletin (UNIDO/DGB(M).12), had addressed most of the recommendations made by the JIU in its report on travel in the United Nations (JIU/REP/95/10). Finally, in its reform process, UNIDO had exceeded many of the JIU's recommendations in its report on management in the United Nations (JIU/REP/95/8) and had surpassed the efforts of the United Nations and other organizations.

29. **Mr. KAYALAR** (Director, External Relations Service), introducing agenda item 13 concerning intergovernmental, non-governmental, governmental and other organizations, said that four intergovernmental organizations (IGOs) had expressed the wish to enter into appropriate relationship agreements with UNIDO (IDB.15/8 and Add.1) and that five non-governmental organizations (NGOs) had also applied for consultative status (IDB.15/11 and Add.1). The External Relations Service was currently strengthening cooperation with NGOs in accordance with resolution GC.6/Res.7, which had been adopted by the sixth session of the General Conference, following the first NGO Forum organized by UNIDO, on cleaner industrial production. Follow-up meetings on cleaner industrial production were to be organized in the current year with NGOs in France, the United Kingdom and Austria. A round table on sustainable industries for cities was to be organized by UNIDO and the International Network for Environmental Management (INEM) at the World Business Forum, to be held in conjunction with Habitat II. Linkages between universities and industries were to be discussed at a meeting involving Austrian NGOs, universities and representatives from the industrial sector. Furthermore, UNIDO was to help to organize a special session on business and industrial information in a globally networked society during the Congress on Globalization of Information, organized by an international NGO and was expanding its network of international, regional and national NGOs in the developing and developed countries and in countries with economies in transition.

30. **Mrs. OK** (Turkey), speaking on agenda item 13, said that her Government supported the conclusion of relationship agreements with intergovernmental and governmental organizations, in accordance with Article 19.1 (a) of the Constitution of UNIDO and also supported UNIDO's cooperation with appropriate NGOs in accordance with Article 19.1 (b) of the Constitution. The relationship agreement to be concluded, partly on her country's initiative, between UNIDO and the Black Sea Economic Cooperation (BSEC) would serve the interests of both parties, given the enormous potential available in terms of the geographical area and

population. The partners could focus on areas including investment promotion, small and medium-sized enterprises, the environment and energy and the benefits of such cooperation would undoubtedly be evident in the near future.

PROVISIONAL AGENDA AND DATE OF THE SIXTEENTH SESSION

31. **The PRESIDENT** said that agenda item 14 would be dealt with in informal consultations. However, he would invite the Secretariat to provide a brief explanation of the background to the item.

32. **Mr. KAYALAR** (Director, External Relations Service) said that during the informal consultations on the item, representatives would have before them a draft decision proposed by the Programme and Budget Committee and a conference room paper (IDB.15/CRP.1). Having taken into consideration decision IDB.5/Dec.46, stating that provisional agendas should be drawn up in biennial groups, the Secretariat had arrived at the proposed provisional agenda contained in annex II to IDB.15/CRP.1. With regard to the date of the sixteenth session, he said that the Programme and Budget Committee had decided to postpone its twelfth session, scheduled for 2-6 September 1996, until 18-20 November 1996 and had recommended that the Industrial Development Board should hold its sixteenth session from 20-22 November 1996.

33. **Mrs. OK** (Turkey) asked why investment promotion had not been placed on the agenda for the sixteenth session.

34. **Mr. KAYALAR** (Director, External Relations Service) said that Member States had agreed to review certain items every second or third year. The provisional agenda contained in annex II to IDB.15/CRP.1 was intended to help the Board to decide on the final provisional agenda for its sixteenth session. However, member States would have the right to put forward their suggestions for discussion at the informal consultations and, if required, at the plenary.

The meeting rose at 4.25 p.m.

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Fifteenth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 9 May 1996, at 3 p.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
4	Policy framework of UNIDO - Organizational and staff structure *(continued)*	1 - 10
-	Introduction of draft decisions	11 - 13
4	Policy framework of UNIDO - Organizational and staff structure *(continued)*	14 - 15
5	Report of the Programme and Budget Committee:	
	(a) Review of the implementation of the programme and budgets, 1996-1997 *(continued)*	16 - 21
	(b) Update of the financial situation of UNIDO *(continued)*	
	(c) Ceiling of assessments *(continued)*	
6	Mobilization of financial resources for UNIDO programmes *(continued)*	22 - 23
7	UNIDO technical cooperation activities in 1995 including operational activities for development *(continued)*	24 - 25

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Distr.: 22 July 1996

CONTENTS *(continued)*

Agenda item		*Paragraphs*
8	Second Industrial Development Decade for Africa *(continued)*	26 - 29
9	Industrialization of the least developed countries *(continued)*	30 - 31
10	Field representation *(continued)*	32 - 33
11	Personnel matters *(continued)*	34 - 37
12	Joint Inspection Unit *(continued)*	38 - 39
13	Matters related to intergovernmental, non-governmental, governmental and other organizations *(continued)*	40 - 49
14	Provisional agenda and date of the sixteenth session	50 - 72
15	Adoption of the report of the fifteenth session	73 - 75
16	Closure of the fifteenth session	76 - 91

The meeting was called to order at 4.35 p.m.

POLICY FRAMEWORK OF UNIDO — ORGANIZATIONAL AND STAFF STRUCTURE *(continued)*

1. **Ms. HASAN** (Pakistan), speaking on behalf of the Group of 77, said that the Group had been concerned to hear the representative of the Netherlands repeat the suggestion made by the Minister for Foreign Trade of the Netherlands during UNCTAD IX that the possibility of merging UNIDO with UNCTAD should be explored. That suggestion was particularly surprising in view of the fact that the Netherlands had always been in the forefront of international and European efforts to further the development of the developing countries. In view of their specific mandates and different legal frameworks, UNIDO and UNCTAD had different functions, and any suggestion of a merger with any other organization in the United Nations system would be detrimental to the interests of the developing countries.

2. The views of the Group were contained in the Final Communiqué adopted by the twentieth Meeting of all chapters of the Group of 77, held in Geneva on 3-4 April 1996, which stated that "UNIDO should continue to perform its development mission as the sole United Nations agency with a mandate for the industrialization of developing countries and as a provider of integrated technical cooperation services to developing countries, addressing needs such as food, health, environmental protection and energy efficiency in industrial processes". The specificity and vital importance of UNIDO's role and mandate had been reaffirmed by all Member States, including the Netherlands, at the sixth session of the General Conference.

3. The Group drew attention to the Cochabamba Declaration, adopted by the Foreign Ministers of the European Union and the Rio Group, as recently as April 1996, in which they had underscored the importance of industrialization in achieving sustainable development and stressed the important role of UNIDO. They had also noted with appreciation the reforms taking place in the Organization.

4. The Group supported all efforts to strengthen UNIDO and to make it more efficient, so that it could fulfil its mandate more effectively. That could not be achieved through a merger with any organization, but only through more vigorous political support, which implied the provision of the necessary resources and prompt payment of assessed contributions by Member States.

5. It was the view of the Group that, renewing the spirit of the Yaoundé and Lima Declarations, it was necessary to consolidate the reform and strengthen UNIDO, rather than embark on unhelpful and uncertain

suggestions that could distract attention from the objectives in hand.

6. **Mr. MOLLINGER** (Netherlands) assured the members of the Group of 77 that the statement would be brought to the attention of the Netherlands Government without delay.

7. It appeared that his brief explanation of his Government's suggestions at UNCTAD IX had raised concern, rather than clarified the position. Up to a point that concern was very well founded. The United Nations system as a whole was experiencing the worst financial crisis in its existence. Although UNIDO's remaining Member States and the Secretariat were making a tremendous effort to restore the Organization to efficient operation, times had changed, and the world, including UNIDO, would never be the same again.

8. More effective provision of the necessary resources and prompt payment of assessed contributions by Member States, together with a more vigorous political commitment, would certainly enable any United Nations agency to improve its performance. However, it was by no means sure that such support would be forthcoming. The Netherlands would continue to honour its obligations to the developing countries, but it could not work miracles on its own. It could not change the prevailing financial environment.

9. His Government had therefore come to the conclusion that serious thought should be given to the question of what was really needed to achieve development. For too long, reliance had been placed on institutions created in the expectation that they would do the job. Sometimes they had performed beautifully, sometimes they had failed. Although much had been learnt over the past 30 years or so, actual progress made had been disappointingly slow.

10. The remarks made on the subject by the Netherlands Minister for Foreign Trade should be seen in that perspective. They were intended as a suggestion and an invitation to think together along different lines. The current session of the Board had offered no opportunity for such a discussion, but he sincerely hoped that one would arise in the near future.

INTRODUCTION OF DRAFT DECISIONS (IDB.15/L.2-L.10)

11. **The PRESIDENT** said that agenda items 4-14 were still open for the adoption of decisions. A number of draft decisions, which had already been discussed in informal consultations, were now before the Board for consideration (IDB.15/L.2-L.10).

12. **Mr. POSTA** (Hungary), speaking as chairman of the informal consultations, informed the Board that the group had reached consensus on proposals submitted by delegations in respect of agenda items 4, 8, 9 and 10. The recommendations of the Programme and Budget Committee on items 5 (a), 5 (b) and 5 (c) had greatly facilitated the work of the group, which had immediately agreed on those texts for consideration by the plenary. Lack of time had meant that it had not been possible to complete work on items 11 and 14. He would therefore provide brief explanations when those items were taken up.

13. **The PRESIDENT** said that he was submitting the draft decisions approved in the informal consultations to the Board as his drafts.

POLICY FRAMEWORK OF UNIDO — ORGANIZATIONAL AND STAFF STRUCTURE *(continued)* (IDB.15/14; IDB.15/L.5)

14. **The PRESIDENT** drew the Board's attention to draft decision IDB.15/L.5.

15. *The draft decision was adopted.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) REVIEW OF THE IMPLEMENTATION OF THE PROGRAMME AND BUDGETS, 1996-1997;

(b) UPDATE OF THE FINANCIAL SITUATION OF UNIDO;

(c) CEILING OF ASSESSMENTS *(continued)* (IDB.15/2, IDB.15/3, IDB.15/4, chap. II, IDB.15/5, IDB.15/15; IDB.15/L.2-L.4)

16. **The PRESIDENT** drew attention to draft decision IDB.15/L.2 on the implementation of the programme and budgets, 1996-1997.

17. *The draft decision was adopted.*

18. **THE PRESIDENT** drew attention to draft decision IDB.15/L.3 on the update of the financial situation of UNIDO.

19. *The draft decision was adopted.*

20. **The PRESIDENT** drew attention to draft decision IDB.15/L.4 on the ceiling of assessments.

21. *The draft decision was adopted.*

MOBILIZATION OF FINANCIAL RESOURCES FOR UNIDO PROGRAMMES *(continued)* (IDB.15/7)

22. **The PRESIDENT** said that no draft decision had been submitted on the item. He proposed that the Board take note of the information provided by the Director-General.

23. *It was so decided.*

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1995 INCLUDING OPERATIONAL ACTIVITIES FOR DEVELOPMENT *(continued)* (IDB.15/13)

24. **The PRESIDENT** said that no draft decision had been submitted on the item. He proposed that the Board take note of the information provided by the Director-General and the Secretariat.

25. *It was so decided.*

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA *(continued)* (IDB.15/6; IDB.15/CRP.2; IDB.15/L.8)

26. **The PRESIDENT** drew the Board's attention to draft decision IDB.15/L.8.

27. **Mr. BENMOUSSA** (Morocco) proposed that in paragraph (d)(i) the words "the industrial quality of Africa" be replaced by "Africa's industrial quality".

28. *It was so decided.*

29. *The draft decision, as amended, was adopted.*

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES *(continued)* (IDB.15/10; IDB.15/L.6)

30. **The PRESIDENT** drew the Board's attention to draft decision IDB.15/L.6.

31. *The draft decision was adopted.*

FIELD REPRESENTATION *(continued)* (IDB.15/12; IDB.15/L.7)

32. **The PRESIDENT** drew the Board's attention to draft decision IDB.15/L.7.

33. *The draft decision was adopted.*

PERSONNEL MATTERS *(continued)* (IDB.15/4; IDB.15/CRP.3)

34. **The PRESIDENT** orally proposed a draft decision on item 11 with the following wording:

> "Takes note of document IDB.15/4 containing information on the composition of the Secretariat, including information on informal desirable ranges of representation as well as the assurances of the Director-General to pay due regard to the principle of equitable geographical distribution in the Secretariat within the context of the reform process, taking into account the provisions of Article 11, paragraph 5, of the Constitution".

35. **Mr. DE YTURRIAGA** (Spain), **Mr. DASQUE** (France), **Mr. BERESNEV** (Russian Federation), **Mr. ABDEL HALIM** (Sudan), **Mr. BOERSNER** (Observer for Venezuela), **Mr. KOPULANDE** (Zambia) and **Mr. WANG Baorong** (China) regretted the fact that the text in question had not been produced in all United Nations working languages in time for consideration by Member States. They were prepared to join in a consensus to adopt the draft decision, provided that the procedure did not set a precedent.

36. **The PRESIDENT** announced that the text was now available in all official languages. If there were no objections, he would assume that the Board wished to adopt the draft decision on agenda item 11.

37. *It was so decided.*

JOINT INSPECTION UNIT *(continued)* (IDB.15/9)

38. **The PRESIDENT** said that no draft decision had been submitted on agenda item 12. If there were no objections, he would assume that the Board wished to take note of the information provided by the Secretariat on the subject.

39. *It was so decided.*

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS *(continued)* (IDB.15/8 and Add.1; IDB.15/11 and Add.1)

40. **The PRESIDENT** announced that the Bureau had reviewed the information provided on four intergovernmental organizations that wished to enter into

appropriate relationships with UNIDO, which were referred to in document IDB.15/8 and Add.1. He recommended to the Board the adoption of the following draft decision concerning those organizations:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.15/8 and Add.1;

"(b) Authorizes the Director-General, in accordance with Article 19.1 (a) of the Constitution of UNIDO and the Guidelines for the relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (General Conference decision GC.1/Dec.41, annex, para. 9) and, on the basis of the information contained in the annexes to documents IDB.15/8 and IDB.15/8/Add.1, to conclude appropriate relationship agreements with the following four intergovernmental organizations:

Black Sea Economic Cooperation (BSEC)

Intergovernmental Organization for Marketing Information and Cooperation Services for Fishery Products in Africa (INFOPECHE)

International Centre for Genetic Engineering and Biotechnology (ICGEB)

International Institute of Refrigeration (IIR)."

41. **The PRESIDENT** announced that the Bureau had reviewed the information provided on five international non-governmental organizations applying for consultative status with UNIDO, which were referred to in document IDB.15/11 and Add.1. He recommended to the Board the adoption of the following draft decision covering those organizations:

"The Industrial Development Board:

"(a) Takes note of the information provided in documents IDB.15/11 and Add.1;

"(b) Decides, in accordance with Article 19.1(b) of the Constitution of UNIDO and the Guidelines for the relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (General Conference decision GC.1/Dec.41, annex, para. 17), to grant consultative status with UNIDO to the following five international non-governmental organizations:

Austrian Senior Experts Pool (ASEP)
Environmental Development Action in the Third World (ENDA)
International Network for Environmental Management (INEM)
International Technology Information Center (INTERTEC)
NIMTECH."

42. **Mr. AKAO** (Japan), supported by **Mr. INDELICATO** (Italy), regretted that no text had been distributed on the item even in one language.

43. **Ms. BATACLAN** (Philippines) said that while it was always best to have a written text for approval, the Bureau had been authorized to make recommendations to the Board.

44. **Mr. DE YTURRIAGA** (Spain) pointed out that the relevant information had been available in document IDB.15/8 for some time.

45. **Mr. KAYALAR** (Secretary of the Board) said that, as in the past, the Secretariat had produced background documents (IDB.15/8 and Add.1; IDB.15/11 and Add.1) in all six official languages and distributed them well in advance. Those documents contained all the relevant information concerning intergovernmental organizations seeking to enter into relationship agreements with UNIDO and non-governmental organizations applying for consultative status. In introducing the item at the second plenary meeting, the President had clearly pointed out the procedure to be followed, namely that the Bureau of the Board would review those applications and report directly to the plenary through the President. That had been the practice for some years and had not caused any problem heretofore. However, if delegations wished that the recommendations of the Bureau be produced in six languages in the form of an "L paper", that could easily be done.

46. **Mr. AKAO** (Japan) said that the information could have been included in the draft report and suggested that that procedure be followed on the next occasion.

47. **Mr. INDELICATO** (Italy) pointed out that the question was not one of information, but of an opportunity to discuss the matter. That should be made possible in future.

48. **The PRESIDENT** said he would assume that if there were no objections the Board wished to adopt the draft decisions on intergovernmental, non-governmental, governmental and other organizations which he had read out.

49. *It was so decided.*

PROVISIONAL AGENDA AND DATE OF THE SIXTEENTH SESSION (IDB.15/CRP.1; IDB.15/L.9)

50. **Mr. POSTA** (Hungary), speaking as chairman of the informal consultations, said that since lack of time had prevented the discussion of a draft decision on item 14 in the informal consultations, draft decision IDB.15/L.9 was now being submitted for consideration by the Board.

51. With regard to the blank spaces in paragraph (a), he reminded Members of the recommendation of the Programme and Budget Committee (PBC/AS.3/L.5) that the Board hold its sixteenth session from 20 to 22 November 1996.

52. Paragraph (b) contained a proposed provisional agenda, based on the contents of annex II to conference room paper IDB.15/CRP.1. In consideration of the mandates emanating from the current session, new items 4, 5 (d), 5 (f) and 8 had been added. Item 12, on personnel matters, had no sub-items indicated, it being understood that any developments concerning the International Civil Service Commission or other matters would be covered. The decision numbers indicated against some items were intended for reference purposes only and would not form part of the item titles.

53. **Mr. KOC** (Turkey) said that his delegation attached great importance to the subject of industrial investment promotion, which constituted one of the basic elements of industrialization, especially for the developing countries. That topic had been included on the Board's agenda at the previous session, but not at the current session. He therefore proposed that it be added to the provisional agenda of the next session, as a new and separate item.

54. **Mr. INDELICATO** (Italy), speaking on behalf of the European Union, said that, while he recognized that industrial investment promotion was an important topic, he felt that it might be preferable to include it under item 3 of the provisional agenda, within the general context of the annual report of the Director-General on UNIDO's activities, rather than as a separate item. It was not in the interests of Member States or of the Organization to have an agenda comprising many individual items.

55. **Mr. BERESNEV** (Russian Federation), agreeing with the remarks made by the representative of Turkey, said that investment promotion was a very important topic, particularly for the developing countries and the economies in transition. Within his own Government's strategy, it was a major theme in which UNIDO played a crucial role. International investment flows were rapidly developing and new trends were constantly emerging in the field of international finance. UNIDO's investment promotion activities needed to take account of those trends and to be evaluated and adjusted accordingly. Member States had to be able to consider such issues. His delegation therefore wished to stress its interest in having the proposed item included in the agenda of the next Board session.

56. **Mr. ABDEL HALIM** (Sudan) said that in the present economic climate, with the growth of the free market system and the private sector, the topic of investment promotion was of great importance to the developing world, and particularly to the least developed countries. It merited priority attention and should accordingly be dealt with as a separate agenda item.

57. **Mr. BENMOUSSA** (Morocco), speaking on behalf of the African Group, said that he failed to understand the reservations expressed by the representative of Italy. Since the report of the Director-General in principle covered all the Organization's activities, there was no reason to pick out one activity in particular for mention under agenda item 3. The document prepared by the Secretariat on activities of investment promotion services would provide a sufficient basis for separate treatment of the topic at future sessions. There was not a single Investment Promotion Service (IPS) office in the entire African continent, and Africa's share of current world investments of $235 billion amounted to $3 billion only. With the present globalization of the world economy, investment promotion would be a key area of UNIDO's future activities. He therefore wished to suggest that item 8 of the provisional agenda be amended to read "Field representation, including investment promotion services".

58. **Mr. AKAO** (Japan), **Ms. HASAN** (Pakistan), **Mr. KAGODA** (Uganda), **Mr. AL-ZEID** (Saudi Arabia), **Mr. ABOUZEID** (Egypt), **Mrs. LAJOUS** (Mexico) and **Mr. KHALIL** (Tunisia) supported the Turkish proposal.

59. **The PRESIDENT**, replying to a question from the representative of Japan, said that, in accordance with the rules of procedure, it would be for the Board to decide at its next session whether to include a supplementary item in its provisional agenda.

60. **Mr. INDELICATO** (Italy) said that while he welcomed the addition of item 5 (d), "Financial regulations", his main concern was to guard against a proliferation of agenda items. He therefore suggested that items 7 and 8, "Industrialization of the least developed countries" and "Field representation", should be incorporated in agenda item 3 and their full titles

retained. Since no proposals had been submitted at the current session on agenda item 10, "Joint Inspection Unit", he suggested that the item should be deleted. Finally, agenda item 12, "Personnel matters", would be covered under other items, such as item 4, "Implementation of the reform", and should also be incorporated in agenda item 3.

61. **Mr. CURIA** (Argentina) said that the revision of the provisional agenda would be a lengthy process. He suggested that it should be adopted as it stood, due account being taken of the European Union's comments. It could then be discussed in informal consultations.

62. **Mr. BENMOUSSA** (Morocco) said that he was opposed to the deletion of items 7 and 8 and their inclusion in item 3. Furthermore, the fact that no proposals had been submitted on the Joint Inspection Unit, was no justification for the deletion of the item; a draft decision or resolution might well be submitted before the next session. Referring to rule 10 (2) of the rules of procedure of the IDB, he said that the procedure currently pursued by the Board was no different from that followed hitherto and that an agenda consisting only of the annual report of the Director-General would be inadequate. Representatives were clearly interested in different items of the provisional agenda and all avenues of discussion should be kept open.

63. **Ms. BATACLAN** (Philippines) said that her country would welcome the proposals put forward by the European Union if they served to rationalize the Board's work. However more time would be needed to consider their implications. The agenda could be adopted as it stood and subsequently discussed during informal consultations.

64. **Mr. EL GAILANI** (Sudan) said agenda items 7 and 8 were of great importance to the developing countries and should be retained as separate items. Italy's proposal was illogical, since the Board had already adopted draft decisions IDB.15/L.6 and IDB.15/L.7. Furthermore, since the annual report of the Director-General was a report on all the Organization's activities, it could as well be argued that all substantive agenda items should be included under it.

65. **Mr. AKAO** (Japan), proposed that the Board should adopt the provisional agenda, as amended by Turkey, and consider the proposals put forward by the European Union during informal consultations.

66. **Mr. ARIZAGA** (Ecuador) pointed out that the agenda was provisional and that there would be six months in which to discuss it further. His delegation had serious difficulties with the proposal put forward by the European Union, particularly since the Board had already adopted draft decisions IDB.15/L.6 and IDB.15/L.7, requesting the Director-General to continue his efforts in relation to the industrialization of developing countries and field representation in 1996. The annual report of the Director-General at the sixteenth session would be concerned with the activities of the Organization in 1995. It would therefore be illogical to include agenda items 7 and 8 in agenda item 3.

67. **Mr. DE MARIA Y CAMPOS** (Director-General) pointed out that the document under discussion was the provisional agenda, which could be supplemented and could also be considered by the Bureau before the opening of the sixteenth session.

68. The agenda items referred to matters on which the Secretariat was required to report by previous decisions of the Board. In the case of the Joint Inspection Unit, a report had been submitted to the current session of the Board and had been accepted, though there had been no decision on the subject.

69. **The PRESIDENT** invited the Board to adopt the provisional agenda for the sixteenth session (IDB.15/L.9), as amended by Turkey, to include an additional item on industrial investment promotion.

70. *It was so decided.*

71. **Mr. INDELICATO** (Italy) speaking on behalf of the European Union and in explanation of his previous proposals, said that it had been acknowledged at the General Conference that UNIDO had made considerable efforts to rationalize its work, better identify its role and lay the foundation for a new organization. Those changes necessarily had consequences for the actions of Member States, particularly in the policy-making organs. In that light, the conduct of business during the current session was something that ought not to be repeated. Lengthy statements had been made containing impossible demands and repetitions of generalities which did not help the Organization to fulfil its duty. Since the Secretariat had provided information requested under past resolutions, it did not seem necessary to adopt similar resolutions with only minor amendments. Was it necessary to repeat the same recommendations on the same subjects? Did the Director-General have to be asked to do what he was already legally obliged to do? Was it really helpful to address questions of micro-management? Should overlapping reports be requested, when it had been agreed at the General Conference to streamline reporting so as to allow the Secretariat to discontinue the publication of documents that overlapped with the new and consolidated annual report? Was it necessary to renegotiate in new resolutions language that had already been adopted at recent sessions of the policy-making organs?

72. He believed that the resolutions produced at the current session were repetitive and reflected an attitude towards the Organization that would hardly improve the quality of its work and services, or increase its reputation or the interest it aroused on the international political scene. His proposal to shorten the duration of forthcoming meetings was intended as a step in a new direction. Ways should be found of introducing changes which were helpful and constructive for the Organization, which were substantive, realistic and manageable, and not formalistic or unproductive. That would help UNIDO to orient its activities towards questions which really made a difference.

ADOPTION OF THE REPORT OF THE FIFTEENTH SESSION (IDB.15/L.1)

73. **Mr. SÖLENDIL** (Turkey), Rapporteur, explained that owing to lack of time the report (IDB.15/L.1) contained many blank spaces, but that in its final form it would reflect the events that had taken place during the whole session. Paragraphs 24 and 25 referred to matters on which no decisions had been taken, so that the last sentences of those paragraphs would state that at the suggestion of the President, the Board had taken note of the information provided by the Director-General in the document or documents, as appropriate. A similar text would be inserted in paragraph 31. Paragraphs 4 to 11 would reflect actual participation, full information on which had become available only that day.

74. The **PRESIDENT** thanked the rapporteur for his statement and said that, if there were no objections, he would assume that the Board wished to adopt the draft report as a whole, on the understanding that the Rapporteur would be entrusted with finalizing the text in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

75. *It was so decided.*

CLOSURE OF THE FIFTEENTH SESSION

76. **Mr. DE MARIA Y CAMPOS** (Director-General) said that during the session there had been an unequivocal and forceful recognition of the reform achievements and, more specifically, an endorsement of the organizational restructuring in the first quarter of 1996. The reform was on track and its impact was beginning to be strongly felt. There had been a consensus, which he fully shared, that reform was concerned with more than downscaling and changing procedures. It was essentially about the relevance, impact and quality of UNIDO's services to Member States.

77. He had appreciated the overwhelmingly positive feedback received on the five new high-impact programmes. He was particularly pleased to note both the strong demand and the funding commitments from Member States for those new initiatives. He wished to thank delegations, particularly those from Africa, for the support expressed for the proposed Alliance for Africa's Industrialization. That support had been reinforced in many bilateral meetings with African Ministers and representatives. The Alliance would be further strengthened in close consultation with all parties in the months to come.

78. He had heard very favourable comments on the importance of UNIDO as a global forum and, more specifically, as an adviser on policy and normative aspects of industrial development. That function, which was not new for UNIDO, could be built on, but caution was advisable. UNIDO could play a useful role as a specialized agency and as an honest, neutral, broker.

79. His initiatives to bring about better inter-agency cooperation had met with a good response, particularly with regard to planned cooperation with UNCTAD and other organizations. However, as the Japanese representative had rightly emphasized, fruitful cooperation presupposed the existence of clear demarcation lines. He hoped that Member States could help UNIDO in that regard.

80. The most important point was that Member States had sent one loud and clear message: UNIDO was more than ever indispensable for the developing countries and for countries in transition, and for the developed countries as well, as a specialized, competent and autonomous agency to provide technical support for industrial development and to promote international industrial cooperation and investment.

81. A general theme had been that it would be desirable for the UNIDO Secretariat and Member States to intensify regular informal consultations. That proposal would be put into effect with respect to a number of areas, such as the format and content of the programme and budgets, the reform of the process of governance, the collection of assessed contributions, the appointment of managing directors, the mobilization of financial resources and the support programmes for different developing regions and countries.

82. UNIDO needed the support of all Member States. At a time of uncertainty and change in the United Nations system, UNIDO was happy that it had been at the forefront of reform and that Member States were recognizing that. However, it was important that all Member States should pay their contributions. The information received so far with regard to arrears on assessed contributions was not very promising, and he

would urge all Member States to support his endeavours in that respect.

83. In conclusion, he thanked Member States for their patience and their guidance. He fully shared the confidence expressed in UNIDO and looked forward to the sixteenth session.

84. **Mr. ARIZAGA** (Ecuador) said that new ideas had been put forward during the session, some of which had aroused concern among Member States. He noted that only one group of countries had presented specific proposals. He hoped that the November 1996 session of the Board would be held in a more constructive spirit, so that all countries could benefit from the deliberations.

85. **Ms. BATACLAN** (Philippines) said that while it was tempting to reply to statements that the Board had demanded the impossible, she believed that it was important to submit resolutions on matters requiring a decision by the Board. She was committed to improving the governance of the Organization through the policy-making organs. The Director-General had asked for recommendations and her country was committed to complying with that request.

86. **Mr. INDELICATO** (Italy) pointed out that though it was necessary to consider all resolutions proposed, it was not necessarily mandatory to approve them. There was merit in considering, improving and discussing resolutions submitted by other countries. His main aim had been to streamline proceedings and reduce the quantity of paper generated and the duration of the session.

87. **Mr. BENMOUSSA** (Morocco) thanked the representative of the European Union for his active participation in the work of the Board.

88. **The PRESIDENT** said that, despite conflict and heated exchanges on important items, the session had reached a successful conclusion. He expressed his appreciation to all delegations that had participated actively and patiently in the work of the Board. It was gratifying that the Board had completed its work in less than the time originally scheduled for it. The conclusions reached would provide useful guidance for the Secretariat.

89. It was encouraging to note the support for UNIDO expressed by every Member State during the session. That was a key factor that would enable UNIDO to reactivate itself in a difficult situation. He was glad that the situation with regard to the payment of annual contributions had improved, which reflected the confidence of Member States.

90. It was gratifying to note that the reform process had been implemented without great difficulty; it would provide a firm basis for consolidating moral and substantive support to UNIDO.

91. After the exchange of the usual courtesies, **the PRESIDENT** declared the fifteenth session of the Industrial Development Board closed.

The meeting rose at 7.20 p.m.